

Tax Resolution Essentials 305A

Audits Are They Art or Science?



Course Materials

Tax Resolution Institute presents the...

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to professionals by professionals**

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- **The Ultimate Guide to Tax Resolution** textbook
- Professionals Portal
- Comprehensive Knowledge base
- Wide-ranging libraries including IRS forms
- **Live consultation support** from CPAs and Tax Attorneys

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Tax Resolution Institute

Why are we here today?

The Tax Resolution Institute prides itself in assisting accounting and legal professionals resolve their client's tax problems

Take advantage of our program

- 1) We help you make more money
- 2) We teach you how to become a tax resolution specialist
- 3) We become your partner working side-by-side to fix your client's IRS and State income, payroll (collection issues) and tax audit issues
- 4) If you are not interested in practicing in this area or have a case beyond your capability, we become your trusted referral source

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IRS Tax Audits

**Are they an art
or are they science?**

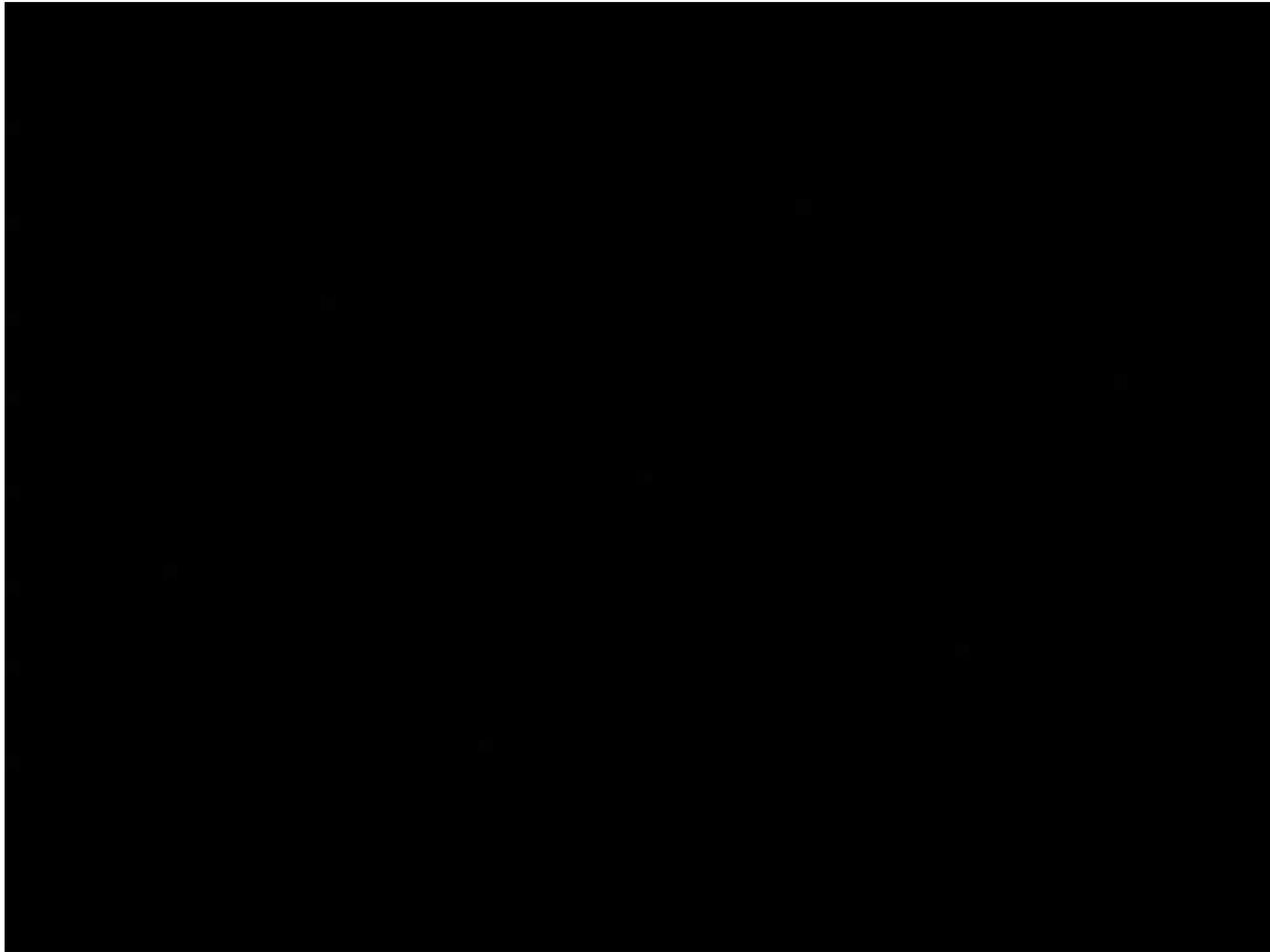
Instructor

Peter Y Stephan, CPA

Executive Director

Tax Resolution Institute

Crossing the River





...meet Peter Stephan

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What will be covered today

- The “Art” of an IRS Audit
- The “Science” of an IRS Audit
- Audit Appeals
- Tax Court
- Fast Track Appeal Options

Tax Resolution Essentials

The following materials and more will be available to attendees at www.taxresolutioninstitute.org/305a for 10 days without a subscription:

- View today's presentation slides
- Downloads to forms included in today's presentation
- Tips and traps for IRS field and office audits
- Tax Resolution desktop manual
- And more...

access your free content at www.taxresolutioninstitute.org/305A

Polling Question 1

How comfortable are you in handling an IRS individual audit?

- **Very comfortable**
- **Moderately comfortable**
- **Not comfortable**

Before we cover the “Art”...

Later in this course we will cover the “Science” of an audit including...

- Addressing Information Document Requests (“IDR”)
- 30 and 90 day letters
- Get a 2nd “bite at the apple” once an audit becomes “final”
- Fast-Track appeals

What do you say to an auditor in the first 30 seconds of your meeting?

(type your answer in the “questions” box on your screen)

How cultural intelligence affects people's decision making process...

Interesting Fact

Believe it or not...

**Our American concept of the
definition of Fair Play**

***respect for the rules or equal
treatment of all concerned....***

**has no equivalent in any other
language.**

And now to the “Art”...

Global Clusters

- **Anglo**
- **Nordic**
- **Germanic Europe**
- **Eastern Europe**
- **Latin Europe**

Global Clusters Continued

- **Latin America**
- **Confucian Asia**
- **Southern Asia**
- **Sub-Saharan Africa**
- **Arab**

Global Clusters Covered Today

- **Anglo**
- **Confucian Asia**
- **Southern Asia**
- **Latin America**
- **Arab**

Clusters

Anglo Cluster

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Anglo Cluster

Themes

- **Individualism**
- **Competitiveness**
- **Short-term orientation**
- **Doing**

Anglo Cluster

Do's and Don'ts

- **Punctuality...time is money (Don't be late)**
- **Kissing on the cheek - sometimes done on east coast but not the norm**
- **Don't discuss money or politics**
- **Gifts are not exchanged for new business acquaintances**

IRS Status 63 makes you a hero...

Full-Day Seminar/Webcast

In this course you will learn offers in compromise, installment agreements, the 45-day rule and more. Unlike other courses you will also learn:

- When **NOT** to use IRS national and local standards
- How to make your client's inability to pay your most powerful tool
- When a partial pay installment agreement is better than a offer

for more information visit
www.taxresolutioninstitute.org

Click on the **Course List**...today's participants receive 20% off
(use code **20offsem** – expires midnight this Sunday)

Polling Question 2

In your opinion it is probable that culture has a bearing one's decision making process?

- **Strongly agree**
- **Agree**
- **Disagree**

Clusters

Confucian Asian Cultures (China & Japan)

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Confucian Asian Cluster

- **Chinese and Japanese companies find it difficult to work together**
- **China is a “being” culture**
- **Japan is a “doing” culture**
- **Chinese culture values collectivism, long term thinking and orientation**

Clusters

South Asian Cultures

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South Asian Cluster

- **India**
- **Thailand**
- **Philippines**
- **Bangladesh**
- **Sri Lanka**
- **Malaysia**
- **Cambodia**

Questions to Consider

- Why is personal space important to North Americans?
- Why do Arab parents insist their children be right-handed?
- Why is the United States considered the most individualistic culture in the world?
- Why is China considered the most collective culture in the world?

Points to Consider

- In today's world you cannot say all "Chinese" people think alike
- In that same respect you cannot say that all "Asians" are alike
- Use one's cultural differences to predict how they will speak, act and react in given situations
- Be sure to hold generalizations and predictions loosely

Tax Resolution Essentials

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- Tax Resolution desktop manual
- And more...

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Polling Question 3

How many tax audits have you completed in the last 12 months?

- **None**
- **1-5**
- **5 or more**

Culture vs Personality

Confucian Asia (China & Japan)

access your free content at www.taxresolutioninstitute.org

Confucian Asia

Chinese Auditors

- How old is the auditor?
- Are they from Mainland China, Shanghai, Taiwan, Hong Kong or somewhere else?

South Asian

Filipino Auditors

- Most westernized country in Southeast Asia
- 3rd largest English speaking country
- Believe in internal strength
- Have a sense of shared identity

Filipino Auditors Continued

Interactions

- May “bend” the truth to be polite
- Look to external authority to make decisions and place importance
- Tend to be conservative
- Demands respect and courtesy

Stereotypes

- Asian Americans – “don’t know how to speak English”
- Latinos – “all men are Macho”
- Non-Caucasians “all are foreign born and not American”

Arab Auditors

- Arab in this case is used as a general term
- Arab auditors may come from different races or lineage (includes Muslims, Christians and Jews)
- Do not discuss religion or politics
- Do not discuss social issues (i.e. alcohol consumption or gender relations)

Arab Auditors continued...

- Family is key social unit
- Values friendship
- Maintain eye contact
- Physical gestures have meanings
 - grasping chin
 - placing palm on chest
 - showing soles of shoes

Latin American

Latino Auditors

- Use last name unless permitted to use first
- Pointing at auditor is considered disrespectful
- Shake hands with everyone (in order of oldest person 1st)

Latino Auditors continued...

- Soft spoken
- Increased volume indicates anger
- Adults command respect
- Physical gestures have meanings
- Gender bias may create prejudice in some tax situations
- Revere persons of authority

Electronic Communication

- A correspondence audit does not mean you do not need to mind your social P's and Q's
- Some cultures will require more detailed description in otherwise casual mediums such as email
- Better to be formal than casual

Faux Pas Examples

- Exxon (an American company) first called itself “Enco” in Japan - meaning stalled car
- The Chinese characters needed to sound like Coca-Cola mean – “bite the wax tadpole”
- The American customs of shaking hands and slaps on the back are considered insults to Chinese cultures.

Cross-Cultural Communication

- First ask yourself how your culture, religion, etc. affects how you behave
- Get out of your comfort zone when speaking to persons of other cultures
- Negotiate with the person your speaking to, not yourself

Cultural Baggage

Localized Clichés have no meaning to those not raised in the US. Don't say:

- Pardon my French
- Check with the home office (upsets Americans)
- Lay your cards on the table
- Don't just sit there...speak up (Americans do not like silence)

Cultural Baggage continued

More phrases not to use...

- Don't take no for an answer
- One thing at a time
- I am what I am
- A deal is a deal (this is not how middle easterners negotiate)

Interesting Fact

Remember...

Our American concept of the definition of “fair play” has no equivalent in any other language.

How Beliefs Influence Behavior

- Because another culture behaves differently does not mean they are “lazy” or “deceitful”
- All stereotypes (even neutral ones) follow a bell curve
- People of one nationality do not all act the same (i.e. 1.5 Billion Chinese residents)

Cultural Intelligence

Is it really art?

- Use what you learn here as a guide only...this is art, not science
- Develop an understanding of various cultures to have in your arsenal
- Pick up on cues (and clues) to maximize success in a given situation
- Negotiate with the person with whom you are speaking, not yourself

To discharge or not to discharge?

Full-Day Seminar/Webcast

AND...

Unlike other courses you will also learn:

- When **NOT** to file a bankruptcy to discharge taxes
- How to **make big bucks** defending your client from the Trust Fund Recovery assessment
- When you **WANT** your client to have **their bank account levied**

for more information visit
www.taxresolutioninstitute.org

Click on the **Course List**...today's participants receive 20% off
(use code **20offsem** – expires midnight this Sunday)

Polling Question 4

Would you benefit from a brief no-cost consultation regarding an audit in which are involved?

- **Yes**
- **No**

Now we discuss the “Science”...

Topics

- How many IDR's are too many?
- What is a 30-day letter?
- What is a 90-day letter?
- If 90 days has passed how to get another “bite at the apple”
- Fast-Track Settlement (FTS)
- Fast-Track Mediation (FTM)

EXAMINATION LETTER

 Department of the Treasury
Internal Revenue Service
Small Business and Self-Employed
12309 N MoPac Expressway
Austin TX 78758-2594



Date: September 2, 2015
Taxpayer Identification Number: [REDACTED]
Form: 1120S
Tax period(s): December 31, 2013
Response date: September 10, 2015
Person to contact: Lorin Hamm
Contact hours: 7:00 AM - 3:15 PM
Contact telephone number: 512-339-5350
Contact fax number: 855-801-8381
Employee identification number: 07-90210

IRS Form 2205-A

Dear [REDACTED]:

Your federal return for the period(s) shown above was selected for examination.

What you need to do

Please call me on or before the response date listed at the top of this letter. You may contact me at the telephone number and times provided above.

What we will discuss

During our telephone conversation, we will discuss:

- Items on your return that I will be examining.
- Types of documents I will ask you to provide.
- The examination process.
- Any concerns or questions you may have.
- The date, time and agenda for our first meeting.

The issues listed below are the preliminary items identified for examination. During the course of the examination, it may be necessary to add or reduce the list of items. If this should occur, I will advise you of the change.

-
-
-
-
-

Information Document Requests

- IRS Form 4564
- Known as IDR's
- May be accompanied by one or more Summons
- How many IDR's are too many?

IRS IDR
Form
4564
 (page 1 of 4)

Form 4564 (Rev. September 2006)	Department of the Treasury – Internal Revenue Service Information Document Request	Request Number 0002
To: (Name of Taxpayer and Company Division or Branch) [REDACTED]		Subject Casualty, Real Estate Tax, Travel & Entnmnt, Sale of Prpty.
Please return Part 2 with listed documents to requester identified below		SAIN number Submitted to: [REDACTED]
Description of documents requested Tax Period(s): 201112; 201212		Dates of Previous Requests (mmdyyyy)

Schedule A – 2011 Real Estate Taxes:

1. Proof of payment.

Schedule A – 2011 Casualty or Theft Losses:

1. Escrow closing purchase statement - residence,
2. Insurance estimates of the loss,
3. Insurance policy during the escrow and after the escrow,
4. Insurance claim for the loss,
5. Any court filings on the loss for the insurance reimbursements, and
6. Proof showing any monies spent on slope repair and/or construction improvements.

Schedule C – 2011 and 2012 Travel, Meals and Entertainment Expenses:

1. Travel documents verifying travel,

Information due by 07/23/2014 At next appointment Mail in

From:	Name and Title of Requester	Employee ID number	Date (mmdyyyy)
	Rebecca B. Purugganan	0235847	06/05/2014
	Office Location:		Phone: 562-495-9965 Fax:

**IRS IDR
Form
4564
(page 2 of 4)**

Form 4564 (Rev. September 2006)	Department of the Treasury – Internal Revenue Service Information Document Request	Request Number 0002
To: (Name of Taxpayer and Company Division or Branch) [REDACTED]		Subject Casualty, Real Estate Tax, Travel & Enrtmmt, Sale of Prpty.
Please return Part 2 with listed documents to requester identified below		SAIN number Submitted to: [REDACTED]
Description of documents requested		Dates of Previous Requests (mmddyyyy)

Tax Period(s): 201112; 201212

- Auction company papers such as flyers, etc., and
- Meals and entertainment receipts showing who, why, what, how much, etc.

Form 4797 – Sale of BMW 325i:

- Purchase documents, and
- Sale documents and received check copy - front and back.

Information due by 07/23/2014 At next appointment Mail in

From:	Name and Title of Requester	Employee ID number	Date (mmddyyyy)
	Rebecca B. Purugganan	0235847	06/05/2014
	Office Location:	Phone: 562-495-9965	Fax:

**IRS IDR
Form
4564
(page 3 of 4)**

Form 4564 (Rev. September 2006)	Department of the Treasury – Internal Revenue Service Information Document Request	Request Number 0001
To: (Name of Taxpayer and Company Division or Branch) [REDACTED]		Subject Initial Document Request
Please return Part 2 with listed documents to requester identified below		SAIN number Submitted to: [REDACTED]
Description of documents requested Tax Period(s): 201212; 201112		Dates of Previous Requests (mmddyyyy)

For Tax Years 2011 and 2012:

FEDERAL INCOME TAX RETURNS: 2011, 2012 and 2013.

FORM 1099'S ISSUED AND RECEIVED.

FORM 2848 (TAXPAYER AUTHORIZATION), IF NECESSARY.

FINANCIAL STATEMENTS or its equivalent.

GENERAL LEDGER AND ALL SUBSIDIARY LEDGERS MAINTAINED.

ALL JOURNALS (General, Cash Disbursements, Cash Receipts, Sales, and any other kind of Journals maintained).

ADJUSTING AND CLOSING ENTRIES..

WORKPAPERS USED IN PREPARING THE RETURN (including grouping of accounts).

BANK STATEMENTS:

1. All bank statements, savings & checking accounts, and stock broker/ cash management account statements for this tax year, 12/1/2010 to 1/31/2013, personal and business accounts.

CANCELLED CHECKS AND INVOICES should be available for all claimed expenses and will be requested at least on a test basis.

Information due by 05/13/2014 At next appointment Mail in

From:	Name and Title of Requester	Employee ID number	Date (mmddyyyy)
	Rebecca B. Purugganan	0235847	04/15/2014
	Office Location:		Phone: 562-495-9965 Fax:

**IRS IDR
Form
4564
(page 4 of 4)**

Form 4564 (Rev. September 2006)	Department of the Treasury – Internal Revenue Service Information Document Request	Request Number 0001
To: (Name of Taxpayer and Company Division or Branch) [REDACTED]		Subject Initial Document Request
Please return Part 2 with listed documents to requester identified below		SAIN number Submitted to: [REDACTED]
Description of documents requested Tax Period(s): 201212; 201112		Dates of Previous Requests (mmdyyyy)

SUPPORTING INVOICES, RECEIPTS, CANCELLED CHECKS, AND ALL OTHER SOURCE DOCUMENTS FOR THE FOLLOWING EXPENSES, DEDUCTIONS, AND OR CREDITS:

1. Home Office Expenses- 2011 & 2012,
2. Sch C1 – Travel Expenses – 2011 & 2012,
3. Sch A – Medical Expenses 2011 & 2012,
4. Business sale of property: sale and expense documents- 2012,
5. Sch A – Cash Contributions – 2011,
6. Sch A – Theft and Casualty – also need the Police Report -2011 and
7. Sch A – Real Property Tax – 2011.

DEPENDING UPON THE CIRCUMSTANCES OF THE AUDIT, YOU MAY BE ASKED TO VERIFY ADDITIONAL ITEMS CLAIMED ON YOUR RETURN OR TO VERIFY SIMILAR ITEMS ON OTHER RETURNS IN THE STATUTORY PERIOD.

Should you have any question, please feel free to call, (562)495-9965.

Information due by <u>05/13/2014</u> At next appointment <input checked="" type="checkbox"/> Mail in <input type="checkbox"/>			
From:	Name and Title of Requester Rebecca B. Purugganan	Employee ID number 0235847	Date (mmdyyyy) 04/15/2014
	Office Location:		Phone: 562-495-9965 Fax:

Audit Time

So the audit appointment is set...

Practical steps...

- **Request (or review received) IDR**
- **Obtain documents, ledgers and other related substantiation from the client**
- **Do a “mini” audit – remember you want to know the results of the audit before the Revenue Agent walks in the door**

Practical Steps

(continued)

- **Have a staff person (preferably on the POA) meet and greet the auditor first**
- **Do not be available for the first 30 minutes (or more if necessary)**
- **Guide the auditor to examine best documented items first regardless of the order of his requests**
- **Meet & greet the auditor, apologize for being late and ask if your staff person got him or her started okay**
- **Ask if he or she requires additional documents, leave the room to obtain them**

It's not over 'till it's over!

Offers in Compromise & Appeals Webinar

This 2-hour course discusses the finer points of Offers in Compromise and Appeals including:

- Why **planning for an offer is more important** than preparing the offer
- How to really **value a retirement plan** for the offer (hint: it's not the 70% shown on the 433A-OIC)
- How and what type of appeal you should file
- How do you get a **2nd bite at the apple** in tax court even though you are not a tax attorney

for more information visit
www.taxresolutioninstitute.org

and click on Course List...participants receive 20% off
(use code **20offsem** – expires this Sunday at midnight)

Polling Question 5

Have you ever used an offer in compromise to contest an audit result?

- **Yes**
- **No**

Audit Findings

- Provided in IRS Form 4549
- Taxpayer may accept changes as proposed
- Taxpayer may appeal assessment at the audit level
- Taxpayer may appeal assessment at the court level
- Taxpayer may get a 2nd “bite at the apple” via an offer in compromise

IRS Form 4549 Income Tax Changes (page 1 of 2)

Form 4549 (Rev. May 2008)		Department of the Treasury-Internal Revenue Service Income Tax Examination Changes		Page _____ of _____
Name and Address of Taxpayer Jack and Susan Anson		Taxpayer Identification Number XXX-XX-XXXX		Return Form No.: 1040
		Person with whom examination changes were discussed.	Name and Title: Jack and Susan Anson	
1. Adjustments to Income		Period End 12-31-XX	Period End 12-31-XX	Period End 12-31-XX
a. Itemized Deductions		XXXXX	XXXXX	XXXXX
b. Standard Deduction				(XXXXX)
c.				
d.				
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
m.				
n.				
o.				
p.				
2. Total Adjustments		XXXXX	XXXXX	XXXX
3. Taxable Income Per Return or as Previously Adjusted				
4. Corrected Taxable Income				
Tax Method		Tax Table	Tax Table	Tax Table
Filing Status		Joint	Joint	Joint
5. Tax				
6. Additional Taxes / Alternative Minimum Tax				
7. Corrected Tax Liability				
8. Less				
Credits				
a.				
b.				
c.				
d.				
9. Balance (Line 7 less Lines 8a through 8d)				
10. Plus				
Other				
Taxes				
a.				
b.				
c.				
d.				
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)				
12. Total Tax Shown on Return or as Previously Adjusted				
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)				
15. Adjustments to Prepayment Credits - Increase (Decrease)				
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)		XXXX.XX	XXXX.XX	XXX.XX

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 income) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

IRS Form 4549 Income Tax Changes (page 1 of 2)

Form 4549 (Rev. May 2008)	Department of the Treasury-Internal Revenue Service Income Tax Examination Changes		Page _____ of _____
Name of Taxpayer Jack and Susan Anson	Taxpayer Identification Number XXX-XX-XXXX	Return Form No.: 1040	
17. Penalties/ Code Sections	Period End 12-31-XX	Period End 12-31-XX	Period End 12-31-XX
a. Accuracy Related Penalty - IRC 6602	XXX.XX	XXX.XX	XX.XX
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties			
Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underpayment attributable to Tax Motivated Transactions (TMT). The interest will accrue and be assessed at 120% of the underpayment rate in accordance with IRC §6621(c)			
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	XXXX.XX	XXXX.XX	XXX.XX
b. Penalties (Line 18) - computed to	XXX.XX	XXX.XX	XX.XX
c. Interest (IRC § 6601) - computed to	XXX.XX	XXX.XX	XX.XX
d. TMT Interest - computed to (on TMT underpayment)			
e. Amount due or (refund) - (sum of Lines a, b, c and d)	XXXX.XX	XXXX.XX	XXXX.XX
Other Information:			
Examiner's Signature:	Employee ID: XXXXXXX	Office: SBSE- Exam	Date: XX-XX-XXXX
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:	

30-Day Letter

- IRS Letter 950
- Federal income tax audit concluded
- Revenue Agent's Report (RAR) has been issued outlining proposed changes
- May be bypassed if time remaining on the statute of limitations is insufficient

30-Day Letter continued

Options

- Accept and pay proposed liability
- Appeal findings
- Do nothing in anticipation of receiving Notice of Deficiency (90-day letter)

IRS 30-Day Letter (page 1 of 2)



Department of the Treasury
Internal Revenue Service
Large Business and International
5218 Atlantic Avenue, 1st Floor
Mays Landing NJ 08330

Date:
March 19, 2015
Taxpayer ID number:
[REDACTED]
Form:
1040
Tax periods ended:
December 31, 2008
December 31, 2009

64

[REDACTED]
UNITED STATES

Person to contact:
D. Christy Hartnett
Contact telephone number:
609-625-7833
Contact fax number:

Employee ID number:
1001716008
Response due date:
April 18, 2015

Dear [REDACTED]

I am enclosing two copies of an examination report showing proposed changes to your tax for the periods listed above. Review the report, and tell us whether you agree or disagree with the changes **by the response due date listed above**. If you have an interest in any partnerships, S corporations, trusts, etc., this report may not reflect examinations of those entities. Changes to those accounts could also affect your tax.

If you agree with the proposed changes in the report

1. Sign and date one copy of the examination report (or agreement form if enclosed). If you filed a joint return, both spouses must sign.
2. Include payment for the full amount you owe (if the report shows you owe additional tax) to limit penalty and interest charges to your account. Make payment payable to the United States Treasury.
3. Return the signed and dated examination report or agreement form with your payment **by the response due date** in the enclosed envelope.

If you agree, but can't pay the full amount you owe

Sign, date, and return one copy of the examination report or agreement form, as explained above, and pay as much as you can. You can call the person listed above to discuss payment. We explain payment options in the enclosed Publication 3498, *The Examination Process*. You can also visit www.irs.gov and search "tax payment options" for more information about:

- Installment agreements
- Automatic payment deductions
- Payroll deductions
- Credit card payments

If you don't enclose full payment for the additional tax, interest, and penalties, we'll bill you for the unpaid amounts. If you are a C Corporation, the law requires us to charge an interest rate 2% higher than the standard rate on deficiencies of \$100,000 or more (Section 6621(c) of the Internal Revenue Code).

**IRS
30-Day
Letter**
(page 2 of 2)

If you don't agree with the proposed changes in the report

You can contact the person listed above to request a meeting or telephone conference with me. If you still don't agree after the meeting or telephone conference and want to request a conference with the Office of Appeals, you must take one of the following actions **by the response due date**:

- If the total proposed change to your tax and penalties is **\$25,000 or less** for each referenced tax period, you can request an Appeals conference by sending us either:
 - A completed Form 12203, *Request for Appeals Review* (enclosed). A fillable version of this form is available at www.irs.gov/formspubs.
 - A letter that requests an Appeals conference, and explains the changes you don't agree with and the reasons why you don't agree.
- If the total proposed change to your tax and penalties is **more than \$25,000** for any referenced tax period, you must follow the instructions in the enclosed Publication 3498 to submit a formal protest.

For Appeals to have enough time to consider your case, the statute of limitations generally must have at least 365 days remaining when Appeals receives it. If additional time is needed, we will request your consent to extend the period the law provides to assess additional tax. If you don't consent to extend the statute, we'll close your case based on the proposed changes and send you a notice of deficiency (explained below). For estate tax cases only, there must be at least 270 days remaining on the non-extendable statute of limitations when Appeals receives the case.

If you request an Appeals conference

An Appeals officer will contact you. Appeals conferences are informal and can be by correspondence, telephone, or in person. Appeals is an independent office and resolves most disputes informally and promptly. A conference with our Appeals office may:

- Help you avoid court costs, such as Tax Court filing fees
- Resolve the matter sooner
- Limit or prevent interest and penalties from increasing on your account

If you don't reply by the response due date

We'll process your case based on the proposed changes and send you a notice of deficiency. The notice normally gives you 90 days to either agree to the deficiency or file a petition with the United States Tax Court. If you petition the Tax Court, you'll generally have the opportunity for a pretrial settlement. If you can't reach a settlement agreement, your case will be heard in court. If you don't file a petition during the 90-day period after you receive the notice of deficiency, we'll assess the amount on the notice of deficiency, and you'll have to pay the full amount you owe or make payment arrangements.

If you have questions, you can contact the person listed at the top of this letter.

Sincerely,



D. Christy Hartnett
Internal Revenue Agent

Enclosures:
Examination Report (2)
870
Form 12203
Publication 3498
Envelope

Things to Note

- Revenue agents have very limited authority
- Appeals officers consider the government's perceived hazards of litigation stemming from an appeal or tax court petition filing increases chances of settlement

Tax Resolution Essentials

The following materials and more will be available to attendees at www.taxresolutioninstitute.org/305a for 10 days without a subscription:

- View today's presentation slides
- Downloads to forms included in today's presentation
- Tips and traps for IRS field and office audits
- Tax Resolution desktop manual
- And more...

access your free content at www.taxresolutioninstitute.org/305a

Polling Question 6

Do you use one or more of the strategies listed below to appeal IRS findings (check all that apply)?

- **Appeal to auditor's supervisor**
- **Request for appeal – general**
- **Fast Track Mediation (FTM)**
- **Fast Track Settlement (FTS)**
- **Petition tax court**

90-Day Letter

IRS Letter 937

- **Also referred to as a Notice of Deficiency**
- **Must respond within 90 days in order to take appeal to tax court**



Internal Revenue Service
1973 North Rulon White Blvd. MS 6663
Ogden, UT 84404-0021

Department of the Treasury

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IRS
90-Day
Letter
(page 1 of 6)

Date: May 19, 2014

NORMAN J KREISMAN
21700 OXNARD ST STE 1160
WOODLAND HILLS CA 913677576

Taxpayer Name:

Taxpayer Identification Number:

Form Number:

1120

Year(s):

2012

Contact Telephone Number:

877-571-4712

Contact Fax Number:

855-235-8847

Contact Hours:

9:00 am – 5:00 pm

Dear Representative:

We are sending you the enclosed material under the provision of your power of attorney or other authorization we have on file. For your convenience, we have listed the name of the taxpayer to whom this material relates in the heading above.

If you have any questions, please call the telephone number shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

Tax Technician
Business Underreporter Operation

Enclosures:
 3219B

IRS 90-Day Letter (page 2 of 6)



Department of the Treasury

Internal Revenue Service
1973 North Rulon White Blvd
Ogden, UT 84201-0028

7013 2250 0000 8694 7411



Notice	CP3219B
Tax Period:	December 31, 2012
Notice Date:	May 19, 2014
Employer ID Number:	[REDACTED]
Form	1120
To Contact us	Phone 1-877-571-4712 Fax 1-855-235-8847
Last Date to Petition Tax Court	August 17, 2014

Notice of Deficiency

Increase in tax and notice of your right to challenge

We have determined that there is a deficiency (increase) in your December 31, 2012 income tax. You have the right to challenge the increase in U.S. Tax Court. This notice explains how the additional amount was calculated and how you can challenge the increase in U.S. Tax Court.

Summary

Increase in tax (deficiency)	\$	8,171
Failure-to-file penalty	\$	-
Substantial tax understatement penalty	\$	-

What you need to do immediately

Review this notice and compare our changes to the information on your December 31, 2012 tax return.
NOTE: The amounts shown above may differ from your previous notice because not all items can be challenged in tax court.

If you agree with the changes we made

- Sign the enclosed Form 4089 - Notice of Deficiency Waiver and mail it to us in the envelope provided.
- You can send a payment with Form 4089. Otherwise, you'll receive a bill for the amount due (including any interest and applicable penalties).

If you don't agree with the changes

- You have the right to challenge the increase in tax by filing a petition with the U.S. Tax Court by August 17, 2014. The Court can't consider your case if the petition is filed late. You can download a petition form and rules from www.ustaxcourt.gov or contact:

Clerk of the U.S. Tax Court
400 Second Street, NW
Washington, DC 20217
1-202-521-0700

- If you want us to consider additional information, please mail it to us in the enclosed envelope immediately. Our consideration will not extend the August 17, 2014 deadline to file a petition with the U.S. Tax Court.

IRS 90-Day Letter

(page 3 of 6)

Notice	CP3219B
Tax Period	December 31,2012
Notice Date	May 19,2014
Employer ID number	[REDACTED]
Form	1120

If we don't hear from you

If we don't receive your Form 4089 - Notice of Deficiency Waiver, or you don't file a petition with the U.S. Tax Court by August 17, 2014, you'll receive a bill from us for the additional tax you owe plus any penalties and interest that apply.

Additional Information

- Visit www.irs.gov/cp3219b.
 - For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).
 - Review the enclosed Publication 3498-B, The Examination Process
 - Keep this notice for your records.
- If you'd like to authorize someone, in addition to you, to contact the IRS concerning this notice, please complete and send us the Power of Attorney and Declaration of Representative (Form 2848), before your representative contacts us on your behalf. Download Form 2848 from www.irs.gov, or call 1-800-TAX-FORM (1-800-829-3676) to request a copy.
- 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. You may be eligible for help from the Taxpayer Advocate Service (TAS) if you have tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn't working as it should. TAS is your voice at the IRS. TAS helps taxpayers whose problems are causing financial difficulty or significant cost, including the cost of professional representation (this includes businesses as well as individuals). You can reach TAS by calling the TAS toll-free number at 1-877-777-4778 or by contacting the local Taxpayer Advocate office at:

OGDEN IRS CENTER
TAXPAYER ADVOCATE
1793 N RULON WHITE BLVD
STOP 1005
OGDEN, UT 84404

To learn more about TAS and your basic tax responsibilities, visit www.taxpayeradvocate.irs.gov.

If you need assistance, please don't hesitate to contact us.

**IRS
90-Day
Letter**
(page 5 of 6)

The proposed changes to your tax return are listed below:

Changes To Your Income And Deductions	Shown On Your Return	Reported To IRS, or as Corrected	Proposed Change
GROSS RENTS	\$0	\$53,289	\$53,289
OTHER INCOME	\$0	\$240	\$240
	\$0	\$0	\$0
	\$0	\$0	\$0
	\$0	\$0	\$0
	\$0	\$0	\$0
TOTAL CHANGE TO TOTAL INCOME			\$53,529

Changes to Your Tax Computation	Shown on Your Return	As Corrected by IRS	Proposed Change
Taxable Income, line 30	-\$846	\$52,683	\$53,529
Tax, Sch J line 2	\$0	\$8,171	\$8,171
Other Credits, Sch J line 6	\$0	\$0	\$0
Other Taxes, Sch J line 8 + 10	\$0	\$0	\$0
Total Tax, line 31	\$0	\$8,171	\$8,171
		Penalties	\$0
	Interest - if paid by	April 24, 2014	\$277
		Total Amount You Owe	\$8,447
		Refund	\$0

Information Reported to IRS that differs from the amounts shown on your return.

To assist you in resolving this matter, we have enclosed transcripts of information returns the IRS used to determine the potential discrepancy. The listing may include amounts already reported on your tax return.

Misidentified income

If any of the income shown on this notice is not yours, send us the name, address, and taxpayer identification number of the person or business that received the income. Please notify the payers to correct their records to show the name and taxpayer identification number of the person or business who actually received the income, so that future reports to us are accurate.

Next steps

- You don't need to file an amended tax return for December 31, 2012. We will make the correction when we receive your response. However, if you choose to file an amended tax return, write "CP2030" on the top of your amended federal tax return and attach it behind your completed Response form. Go to www.irs.gov to download Form 1120X or call 1-800-TAX-FORM (1-800-829-3676).
- Please file an amended tax return for any other tax periods in which the same error occurred.
- We send information about these changes to state and local tax agencies, so if the changes we made apply, file an amended state or local tax return as soon as possible.

Additional information

- For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).
- Review the enclosed Publication 3498-A, The Examination Process.
- Keep this notice for your records.

**IRS
90-Day
Letter**
(page 6 of 6)

Explanation of Changes

The following are additional explanations to help you understand the proposed changes to your tax return.

Please review your tax return to determine if, based on our proposal, the changes will affect the Net Operating Loss (NOL) as reported on Form 1120, line 30. You may need to change the NOL amount or adjust the amount carried forward to a subsequent year. If you have already applied the NOL to another tax year, you need to file a Form 1120X, Amended U.S. Corporate Tax Return for the other year with the appropriate Internal Revenue Service Center. If the tax return for the affected period has not yet been filed, confirm with a signed statement that your records have been corrected.

ACCURACY PENALTY FOR SUBSTANTIAL TAX UNDERSTATEMENT – IRC SECTION 6662(d)

If we increase your tax, and the increase exceeds 10% of the corrected tax and is also equal to or greater than \$10,000, the law requires an accuracy-related penalty due to substantial understatement of tax. The penalty is 20% of your tax increase. The penalty may be reduced or not charged if you:

- Provide the substantial authority (such as, Internal Revenue Code, Regulations, Revenue Rulings, Revenue Procedures, etc.) you used to decide how to treat your income or deduction, or
- Tell us where on your return you clearly show the facts supporting your treatment of the income or deduction, or
- Submit a signed statement that clearly outlines the facts supporting your treatment of the understated income.

Interest charges

We are required by law to charge interest on unpaid tax from the date the tax return was due to the date the tax is paid in full. The interest is charged as long as there is an unpaid amount due, including penalties, if applicable. (Internal Revenue Code section 6601)

For a detailed calculation of your interest, call 1-877-571-4712.

Corporate Interest – We charge additional interest of 2% if, according to our records, you didn't make your corporate tax payment within 30 days after the IRS notified you of the underpayment of tax. This interest begins on the 31st day after we notify you of the underpayment on tax amounts you owe over \$100,000, minus your timely payments and credits.

Tax Court

Advantages

- **Change of a favorable result to taxpayer has a high probability**
- **Over 90% of tax court cases reach settlement prior to trial**

Tax Court

Disadvantages

- **You cannot go to tax court if you have already paid the tax in question**
- **Tax court meets infrequently and a result will take a long time**
- **Trial is typically calendared more than 6 months from the time a petition is filed**
- **Small cases often take a year to decide**

Tax Court

Types of Tax Court

access your free content at www.taxresolutioninstitute.org

Tax Court

Small Tax Court (S Case) Proceedings

- **Cases sent to Office of Appeals**
- **Nominal filing fee**
- **Taxpayer will receive notice of trial, standing pre-trial order and trial memorandum**
- **IRS counsel may request meeting to discuss the case**
- **Burden of proof is on the taxpayer**
- **Judge may render decision at trial or by mail**
- **Court will send bill for remaining taxes**
- **Legal briefs typically not necessary**

Tax Court

Regular Tax Court Proceedings

- **Most cases settle before trial**
- **Nominal filing fee**
- **Requires submission of legal briefs by IRS and taxpayer**
- **May request reclassification as an S Case if taxpayer is willing to waive right to contest tax assessed above \$50,000**

Tax Court

Who can file a petition?

- Any person who has received a notice of deficiency
- Any person who has received a notice of determination
- In some instances a petition may be filed for relief from joint and several liability (innocent spouse relief)

Tax Court

Who can appear in tax court?

- **A private attorney**
- **A non-attorney admitted to practice in tax court**
- **A taxpayer without representation**

Innocent or Not?

Full-Day Seminar/Webcast

PLUS...

Unlike other courses you will also learn:

- How to **make big bucks** defending your client from the Trust Fund Recovery assessment
- Collection Appeal Rights (CAP) – when **NOT** to use this option
- How the IRS determines a spouse is **NOT** so innocent

for more information visit
www.taxresolutioninstitute.org

Click on the **Course List**...today's participants receive 20% off
(use code **20offsem** – expires midnight this Sunday)

Polling Question 7

Would you like us to call you to discuss an audit or other resolution issue?

- **Yes**
- **No**

Fast Track Settlement and Mediation

access your free content at www.taxresolutioninstitute.org

Purpose

- **To provide a quicker result for tax examinations**
- **Involves Appeals Officer sooner than otherwise may happen**
- **Either IRS or taxpayer may request either process**
- **Both parties must agree in order to begin either process**

Fast Track Settlement

- **Use form 14017**
- **Entire process should be less than 60 days**
- **Can be initiated at the appeals level**
- **Mediator considers hazards of litigation**
- **Neither the taxpayer nor the IRS (via examining agent) are obligated to accept the mediator's proposal.**

IRS Form 14017 Application for Fast Track Settlement

Application for Fast Track Settlement

Submitted to Appeals		From			Type of Tax	
Date _____	Location _____	<input type="checkbox"/> LB&I	<input type="checkbox"/> SB/SE	<input type="checkbox"/> TE/GE	<input type="checkbox"/> Other _____	
Taxpayer name _____			Representative name (if applicable) _____			
Taxpayer TIN/EIN _____		Tax years _____		Name of Firm _____		
Address _____				Address _____		
City _____	State _____	Zip _____	City _____	State _____	Zip _____	
Telephone _____		Fax _____		Telephone _____		Fax _____
Examination Group / Team Manager _____					Source (FE/OE/CO, etc) _____	
City _____	State _____	Zip _____	Telephone _____		Fax _____	
Other Participants (if applicable)						
Name _____		Position or Affiliation _____			Phone _____	
Signatures						
The undersigned request Appeals assistance in the Fast Track Settlement (FTS) process. The issues for which this assistance is requested are described in the Form(s) 5701, Summary of Issues or Examination Re-Engineering Lead Sheets or similar documents and the taxpayer's written response, and are attached to this application. By signing this application, taxpayer consents, pursuant to section 6103(c) of the Code, to the disclosure of the taxpayer's returns and return information pertaining to the issues being considered in the FTS process to those persons named on the application as participants in the process. The prohibition against ex parte communications between Appeals personnel and other Service employees provided by section 1001(a) of the Internal Revenue Service Restructuring and Reform Act of 1998 does not apply to the communications arising in FTS because Appeals personnel, in facilitating an agreement between the taxpayer and the other Service Operating Division, are not acting in their traditional Appeals settlement role. IRS employees, taxpayer and persons invited to participate by the IRS or taxpayer will not voluntarily disclose information regarding any communication made during the FTS session, except as provided by statute.						
Taxpayer Signature _____					Date signed _____	
Taxpayer Spouse's Signature (if related to a joint return) _____					Date signed _____	
Taxpayer(s) Representative Signature _____					Date signed _____	
IRS Group / Team Manager Signature _____					Date signed _____	
Approving Operating Division Official (Signature and Title) _____					Date signed _____	
Accepted by Appeals Official (Appeals Team Manager Signature) _____					Date signed _____	
Accepted by Appeals Official (Appeals Program Manager Signature) _____					Date signed _____	
<input type="checkbox"/> Industry (IC)		<input type="checkbox"/> Coordinated Industry Case (CIC)		<input type="checkbox"/> Other _____		Potential Joint Committee <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Industry		<input type="checkbox"/> NR		<input type="checkbox"/> HMT		<input type="checkbox"/> RFPH
<input type="checkbox"/> CTM		<input type="checkbox"/> FS		MFT: _____		PBC: _____
Listed Transaction <input type="checkbox"/> Yes <input type="checkbox"/> No					Fast Track End Date _____	

Request for Mediation

- **Use form 13369**
- **Mediator only views items at the examination level**
- **CANNOT be initiated at the appeals level**
- **Neither the taxpayer nor the IRS (via examining agent) are obligated to accept the mediators proposal.**

IRS Form 13369 Agreement to Mediate

Agreement to Mediate

OMB No. 1545-1844

90

To: Appeals Team Manager		Date
Compliance Officer Information <i>(The person to contact in Compliance about this case)</i>		
Name	Title	
Office telephone number	ID/Badge number	
Taxpayer's Identification Number (TIN)	Year(s)	
Source (FE/OE/CO, etc.)	MFT	
Type of Tax (1040, 1120 Emp., etc) or Collection Issue (CDP, OIG etc)		
Taxpayer's name	Phone (Include Area Code)	
Home street address (P.O. Boxes are not allowed)		
City	State	ZIP code
Representative's name	Firm name	
Office street address (P.O. Boxes are not allowed)		
City	State	ZIP code
Office phone number (Include Area Code)	FAX number (Include Area Code)	
<p>IRS and Treasury employees who participate in any way in the mediation process and any person under contract to the IRS invited to participate, will be subject to the confidentiality and disclosure provisions of the Internal Revenue Code, including I.R.C. sections 6103, 7213, 7213A, and 7431. See also 5 U.S.C. section 574. The parties also acknowledge that IRS and all other Treasury employees involved in the mediation are bound by I.R.C. section 7214(a)(8) and must report information concerning violations of any revenue law to the Secretary. The Mediator will have the right to ask either party for additional information if deemed necessary for a full understanding of the issues being mediated. A copy of any submission a party gives to the mediator will be provided simultaneously to the other party.</p> <p>The Taxpayer consents to the disclosure by the IRS of the Taxpayer's returns and return information incident to the mediation to any participant or observer for the Taxpayer, including persons providing expert assistance for the IRS. If the mediation agreement is executed by a person pursuant to a power of attorney executed by the Taxpayer, that power of attorney must clearly express the Taxpayer's grant of authority to consent to disclose the Taxpayer's returns and return information by the IRS to third parties, and a copy of that power of attorney must be attached to this agreement.</p>		
Taxpayer's signature	Date signed	
Taxpayer's signature	Date signed	
Taxpayer's Representative signature	Date signed	
Compliance Officer's signature	Date signed	
Other Participants <i>(if applicable)</i>		
Name	Position or Affiliation	Phone (Include Area Code)
Name	Position or Affiliation	Phone (Include Area Code)
Name	Position or Affiliation	Phone (Include Area Code)

The 1st 30 Seconds...

So...

**What do you say to a Revenue Agent
in the first 30 seconds of your initial
meeting?**

Tax Audit Questions

Questions and Answers

(time permitting)

Summary of Topics Covered

- Cultural Intelligence - fact or fiction?
- 10 most common cultural clusters
- Culture vs personality
- Auditor behavior based on cultural background
- Sizing up an IRS Auditor
- Addressing IDR's
- Understanding audit findings
- Appealing an audit

Tax Resolution Essentials

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Our mission today...

- 1) Help you make money**
- 2) Teach you how to become a tax resolution specialist;**
- 3) Become your tax resolution partner; or**
- 4) Become your trusted referral source**

Find us on the web at: www.taxresolutioninstitute.org

Email us at: info@taxresolutioninstitute.org

Call us at: (800) 747-8718