

Eighth Edition

THE ULTIMATE GUIDE TO
TAX RESOLUTION



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Chapter 5:**Installment Agreements**

An **Installment Agreement** is a workable payment plan between a taxpayer and the IRS or State. The IRS and State encourages one to pay the tax debt they owe as well as to file all unfiled income tax returns as quickly as possible. When an individual or a business is unable to resolve a tax debt immediately, an **Installment Agreement** becomes an option that can be reasonable to the taxpayer while at the same time is acceptable to the IRS and State. Some Installment Agreements require the full payment of the tax liability which is set into monthly installments paid over time. Other **Installment Agreements** allow the taxpayer to partial pay their liability in monthly installments over time.



In order to be eligible for an **Installment Agreement** with the IRS or state, all unfiled tax returns must first be filed. Once all returns are filed and an accurate tax liability is determined, a qualified tax professional may begin negotiating an **Installment Agreement**. Keep in mind that it is the goal of the IRS and State is to collect as much tax due before the statute of limitations for collection expires. By law, the IRS has the authority to collect outstanding federal taxes for ten years from the date of assessment. State statutes vary.

If a taxpayer is able to prove that they cannot full-pay their liability, even over time they may enter into a payment plan that allows them to continue covering their monthly expenses and pay less than the amount owed in taxes by making monthly installments. This is what is referred to as a **Partial Pay Installment Agreement** (“PPIA”). The IRS charges a nominal fee to set-up an **Installment Agreement**. In addition, the taxpayer is required to stay in compliance. This means that they must, in addition to making the agreed upon monthly installments, continue to file future tax returns and pay all future tax liabilities in full. This must be done over the entire course of the **Installment Agreement** period otherwise the taxpayer will be in default and responsible for their full liability due immediately.

Streamlined Installment Agreements – Fresh Start Initiative

If the taxpayer is in compliance and able to pay his or her liability in full over a given period of time (up to 72 months), they may qualify for a “**Streamlined Installment Agreement**”. In order to qualify the taxpayer must owe less than \$50,000. If the taxpayer owes less than \$25,000 then the qualifications become a little easier and the taxpayer may be able to have a Federal tax lien removed if one exists (note: The \$25,000 and \$50,000 thresholds are based upon the tax liability and do not include interest and penalties).

Without question, a negotiated payment plan in the form of an **Installment Agreement** is more favorable than a Wage Garnishment, Bank Levy, or Asset Seizure. If one cannot afford to pay their back taxes in full and at the present time, and they do not qualify for an **Offer in Compromise** or placement into **Currently Not Collectible** (“CNC”) status, an **Installment Agreement** may be the best way to resolve their tax debt.

Installment Agreement Forms

The IRS states that the taxpayer should use Form 9465 to request a monthly installment plan if they cannot pay the full amount they owe. Generally, one has up to 72 months to pay. In certain circumstances, they can have longer to pay or their agreement may be approved for an amount that is less than the amount of tax you owe. However, before requesting an installment agreement, the IRS contends that the taxpayer should consider other less costly alternatives, such as getting a bank loan or using available credit on a credit card. We realize that neither of these alternatives are generally practical.

IRS Form 9465 Installment Agreement Request^{iv}

Form 9465 <small>(Rev. December 2013) Department of the Treasury Internal Revenue Service</small>	Installment Agreement Request ► Information about Form 9465 and its separate instructions is at www.irs.gov/form9465 . ► If you are filing this form with your tax return, attach it to the front of the return. ► See separate instructions.	OMB No. 1545-0074
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Tip: If you owe \$50,000 or less, you may be able to establish an installment agreement online, even if you have not yet received a bill for your taxes. Go to IRS.gov to apply to pay online. **Caution:** Do not file this form if you are currently making payments on an installment agreement or can pay your balance in full within 120 days. Instead, call 1-800-829-1040. Do not file if your business is still operating and owes employment or unemployment taxes. Instead, call the telephone number on your most recent notice. If you are in bankruptcy or we have accepted your offer-in-compromise, see **Bankruptcy or offer-in-compromise**, in the instructions.

Part I
 This request is for Form(s) (for example, Form 1040 or Form 941) ► and for tax year(s) (for example, 2012 and 2013) ►

1a Your first name and Initial	Last name	Your social security number
If a joint return, spouse's first name and Initial	Last name	Spouse's social security number
Current address (number and street). If you have a P.O. box and no home delivery, enter your box number.		Apt. number
City, town or post office, state, and ZIP code. If a foreign address, also complete the spaces below (see Instructions)		
Foreign country name	Foreign province/state/county	Foreign postal code

1b If this address is new since you filed your last tax return, check here

2 Name of your business (must be no longer operating)	Employer Identification number (EIN)
--	--------------------------------------

3 Your home phone number	Best time for us to call
4 Your work phone number	Ext. Best time for us to call

5 Name of your bank or other financial institution:	6 Your employer's name:
Address	Address
City, state, and ZIP code	City, state, and ZIP code

7 Enter the total amount you owe as shown on your tax return(s) (or notice(s))	7	
8 Enter the amount of any payment you are making with your tax return(s) (or notice(s)). See instructions	8	
9 Subtract line 8 from line 7 and enter the result	9	
10 Enter the amount you can pay each month. Make your payments as large as possible to limit interest and penalty charges. The charges will continue until you pay in full. If no payment amount is listed on line 10, a payment will be determined for you by dividing the balance due by 72 months	10	
11 Divide the amount on line 9 by 72 and enter the result	11	

• If the amount on line 10 is less than the amount on line 11 and you are unable to increase your payment to the amount on line 11, complete and attach Form 433-F, Collection Information Statement.
 • If the amount on line 10 is equal to or greater than the amount on line 11 but the amount you owe is greater than \$25,000 but not more than \$50,000, you must complete either line 13 or 14, if you do not wish to complete Form 433-F.
 • If the amount on line 9 is greater than \$50,000, complete and attach Form 433-F, Collection Information Statement.

12 Enter the date you want to make your payment each month. **Do not** enter a date later than the 28th ►

13 If you want to make your payments by direct debit from your checking account, see the instructions and fill in lines 13a and 13b. This is the most convenient way to make your payments and it will ensure that they are made on time.

► **a** Routing number

► **b** Account number

I authorize the U.S. Treasury and its designated Financial Agent to initiate a monthly ACH debit (electronic withdrawal) entry to the financial institution account indicated for payments of my Federal taxes owed, and the financial institution to debit the entry to this account. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke payment, I must contact the U.S. Treasury Financial Agent at **1-800-829-1040** no later than 14 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payments of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payments.

14 If you want to make your payments by payroll deduction, check this box and attach a completed Form 2159, Payroll Deduction Agreement

Your signature	Date	Spouse's signature. If a joint return, both must sign.	Date
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Part II Additional information. Complete this part only if you have defaulted on an installment agreement within the past 12 months and the amount you owe is greater than \$25,000 but not more \$50,000 and the amount on line 10 is equal to or greater than the amount on line 11. If you owe more than \$50,000, complete and attach Form 433-F, Collection Information Statement.

15 In which county is your primary residence?

- 16a Marital status:
 Single. Skip question 16b and go to question 17.
 Married. Go to question 16b.

- b Do you share household expenses with your spouse?
 Yes.
 No.

17 How many dependents will you be able to claim on this year's tax return? **17**

18 How many people in your household are 65 or older? **18**

- 19 How often are you paid?
 Once a week.
 Once every two weeks.
 Once a month.
 Twice a month.

20 What is your net income per pay period (take home pay)? **20** \$

- 21 How often is your spouse paid?
 Once a week.
 Once every two weeks.
 Once a month.
 Twice a month.

22 What is your spouse's net income per pay period (take home pay)? **22** \$

23 How many vehicles do you own? **23**

24 How many car payments do you have each month? **24**

- 25a Do you have health insurance?
 Yes. Go to question 25b.
 No. Skip question 25b and go to question 26a.

- b Are your premiums deducted from your paycheck?
 Yes. Skip question 25c and go to question 26a.
 No. Go to question 25c.

c How much are your monthly premiums? **25c** \$

- 26a Do you make court-ordered payments?
 Yes. Go to question 26b.
 No. Go to question 27.

- b Are your court-ordered payments deducted from your paycheck?
 Yes. Go to question 27.
 No. Go to question 26c.

c How much are your court-ordered payments each month? **26c** \$

27 Not including any court-ordered payments for child and dependent support, how much do you pay for child or dependent care each month? **27** \$

Chapter 6:

Offers in Compromise

An Offer in Compromise (OIC) is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax debt. The IRS has the authority to settle or "compromise" federal tax liabilities by accepting less than full payment under certain circumstances. A tax debt may be legally compromised under any of the following conditions:

- Doubt as to Collectability** - doubt exists that the taxpayer would ever be able to pay the full amount of tax owed.
- Doubt as to Liability** - doubt exists that the assessed tax is correct.
- Effective Tax Administration** - there is no doubt the assessed tax is correct, and there is no doubt that the full amount owed could be collected, but an extraordinary circumstance exists that allows the IRS to consider a taxpayer's OIC. To be eligible for a compromise on this basis, the taxpayer must demonstrate that collection of the tax would create an economic hardship or would be unfair and inequitable.

Taxpayers should be aware of false claims that their tax debts can be settled for "pennies on the dollar" through the Offer in Compromise Program. While this is true in some instances, it is imperative that they check the OIC requirements to verify if they qualify to submit an offer in compromise.

The ultimate goal of an Offer in Compromise is to settle, reduce and/or eliminate a tax liability that is in both the Government's and the taxpayer's best interest.



The IRS will accept an offer-in-compromise to settle unpaid accounts for less than the amount owed when there is doubt that the liability can be collected in full and the amount you offer reasonably reflects collection potential. In addition to the forms necessary to file an Offer, we include a cover page that describes what forms and substantiation we have included in the package as well as a personal description of the taxpayer which provides the Offer Specialist a depiction that supports our case.

The IRS will also consider doubt as to liability and effective tax administration as acceptable platforms for abatement. The issue of "liability" is a complex legal issue (e.g., *whether a person is a "responsible person" to pay the payroll taxes*) requiring sophisticated and well-reasoned issues of fact and law.

To submit an offer-in-compromise you must complete Form 656. **The IRS will not accept an offer unless it is clear that you have complied with all current filing requirements.**

The IRS will not process an OIC for those working as employees unless all un-filed tax returns are filed, although it is not required that you make payment with the tax returns you file. This means that "employees" need to file all un-filed tax returns if you are considering eliminating your tax liability in an OIC. **The IRS cannot settle a tax liability for which there is no tax assessment.** Filed tax returns are important because they result in IRS tax assessments. Self-employed persons will be considered in compliance (for purposes of filing an OIC) if they file their quarterly tax returns "timely" (e.g. not late in making payment) for the current quarter and the preceding two quarters.

The Form 656 was redesigned in May of 2012 in order to assist taxpayer in the correct preparation of an OIC, as well as reduce the burden associated with the process. The 2012 revision is the culmination of a partnership effort involving the IRS, national Taxpayer Advocate, as well as a number of tax professional organizations.

National and Local Standards

Allowances for food, clothing, medications and other items, known as the National and Local Standards apply nationwide, with Local standards based on State and County of residence for Housing and Utilities, and Transportation. National Standards are also determined based on family size.

IRS National and Local Standards

Allowable Living Expense Housing and Utilities Standards – effective 03/31/2014

Please note that the standards change. For updated IRS standards visit <http://www.taxresolutioninstitute.org/forms-library/>

Housing and Utilities – Local Standard

State Name	County	Housing and Utilities for a Family of 1	Housing and Utilities for a Family of 2	Housing and Utilities for a Family of 3	Housing and Utilities for a Family of 4	Housing and Utilities for a Family of 5 or more
Alabama	Autauga County	1,240	1,456	1,534	1,711	1,738
Alabama	Baldwin County	1,370	1,609	1,695	1,890	1,920
Alabama	Barbour County	996	1,170	1,232	1,374	1,396
Alabama	Bibb County	1,092	1,283	1,352	1,507	1,532
Alabama	Blount County	1,131	1,329	1,400	1,561	1,586
Alabama	Bullock County	1,212	1,424	1,500	1,673	1,700
Alabama	Butler County	1,009	1,185	1,249	1,393	1,415
Alabama	Calhoun County	1,083	1,272	1,340	1,494	1,518
Alabama	Chambers County	1,001	1,176	1,239	1,381	1,404
Alabama	Cherokee County	1,121	1,316	1,387	1,547	1,571
Alabama	Chilton County	1,087	1,276	1,345	1,500	1,524
Alabama	Choctaw County	959	1,126	1,187	1,324	1,345
Alabama	Clarke County	1,105	1,297	1,367	1,524	1,549
Alabama	Clay County	1,020	1,198	1,262	1,407	1,430
Alabama	Cleburne County	1,040	1,221	1,287	1,435	1,458
Alabama	Coffee County	1,180	1,386	1,461	1,629	1,655
Alabama	Colbert County	1,078	1,266	1,334	1,487	1,512
Alabama	Conecuh County	883	1,037	1,093	1,219	1,238
Alabama	Coosa County	1,012	1,188	1,252	1,396	1,419
Alabama	Covington County	1,012	1,188	1,252	1,396	1,419
Alabama	Crenshaw County	1,080	1,269	1,337	1,491	1,515
Alabama	Cullman County	1,057	1,241	1,308	1,458	1,482
Alabama	Dale County	1,037	1,218	1,283	1,431	1,454
Alabama	Dallas County	1,042	1,224	1,290	1,438	1,462
Alabama	DeKalb County	986	1,158	1,220	1,360	1,382
Alabama	Elmore County	1,215	1,427	1,503	1,676	1,703
Alabama	Escambia County	1,020	1,198	1,262	1,407	1,430
Alabama	Etowah County	1,114	1,309	1,379	1,538	1,562
Alabama	Fayette County	1,012	1,189	1,253	1,397	1,420
Alabama	Franklin County	991	1,163	1,226	1,367	1,389
Alabama	Geneva County	966	1,134	1,195	1,332	1,354
Alabama	Greene County	973	1,143	1,204	1,342	1,364
Alabama	Hale County	1,031	1,211	1,276	1,423	1,446
Alabama	Henry County	1,074	1,261	1,329	1,482	1,506
Alabama	Houston County	1,101	1,293	1,363	1,520	1,544
Alabama	Jackson County	996	1,170	1,233	1,375	1,397
Alabama	Jefferson County	1,298	1,525	1,607	1,792	1,821
Alabama	Lamar County	898	1,055	1,112	1,240	1,260
Alabama	Lauderdale County	1,069	1,256	1,323	1,475	1,499
Alabama	Lawrence County	1,050	1,233	1,299	1,448	1,472

State Name	County	Housing and Utilities for a Family of 1	Housing and Utilities for a Family of 2	Housing and Utilities for a Family of 3	Housing and Utilities for a Family of 4	Housing and Utilities for a Family of 5 or more
Alabama	Lee County	1,227	1,442	1,519	1,694	1,721
Alabama	Limestone County	1,166	1,369	1,443	1,609	1,635
Alabama	Lowndes County	1,021	1,200	1,264	1,409	1,432
Alabama	Macon County	1,027	1,206	1,271	1,417	1,440
Alabama	Madison County	1,236	1,452	1,530	1,706	1,733
Alabama	Marengo County	1,054	1,237	1,304	1,454	1,477
Alabama	Marion County	949	1,115	1,175	1,310	1,331
Alabama	Marshall County	1,050	1,234	1,300	1,450	1,473
Alabama	Mobile County	1,210	1,421	1,497	1,669	1,696
Alabama	Monroe County	981	1,152	1,214	1,354	1,375
Alabama	Montgomery County	1,201	1,410	1,486	1,657	1,684
Alabama	Morgan County	1,122	1,317	1,388	1,548	1,573
Alabama	Perry County	1,096	1,287	1,356	1,512	1,536
Alabama	Pickens County	976	1,146	1,208	1,347	1,369
Alabama	Pike County	1,083	1,272	1,340	1,494	1,518
Alabama	Randolph County	1,032	1,212	1,277	1,424	1,447
Alabama	Russell County	1,087	1,276	1,345	1,500	1,524
Alabama	Shelby County	1,467	1,723	1,815	2,024	2,057
Alabama	St. Clair County	1,187	1,394	1,469	1,638	1,664
Alabama	Sumter County	1,059	1,244	1,311	1,462	1,485
Alabama	Talladega County	1,068	1,255	1,322	1,474	1,498
Alabama	Tallapoosa County	1,072	1,259	1,327	1,480	1,503
Alabama	Tuscaloosa County	1,236	1,452	1,530	1,706	1,733
Alabama	Walker County	1,002	1,177	1,240	1,383	1,405
Alabama	Washington County	1,093	1,284	1,353	1,509	1,533
Alabama	Wilcox County	987	1,159	1,221	1,361	1,383
Alabama	Winston County	974	1,144	1,205	1,344	1,366
Alaska	Aleutians East Borough	1,146	1,346	1,418	1,582	1,607
Alaska	Aleutians West Census	1,852	2,175	2,292	2,556	2,597
Alaska	Anchorage Municipality	1,904	2,237	2,357	2,628	2,670
Alaska	Bethel Census Area	1,386	1,628	1,715	1,913	1,944
Alaska	Bristol Bay Borough	1,714	2,013	2,121	2,365	2,403
Alaska	Denali Borough	1,399	1,643	1,731	1,930	1,961
Alaska	Dillingham Census Are	1,577	1,853	1,952	2,177	2,212
Alaska	Fairbanks North Star Bo	1,798	2,112	2,225	2,481	2,521
Alaska	Haines Borough	1,443	1,695	1,786	1,991	2,024
Alaska	Hoonah-Angoon Census	1,396	1,640	1,728	1,927	1,958
Alaska	Juneau City and Boroug	2,034	2,389	2,517	2,806	2,852

State Name	County	Housing and Utilities for a Family of 1	Housing and Utilities for a Family of 2	Housing and Utilities for a Family of 3	Housing and Utilities for a Family of 4	Housing and Utilities for a Family of 5 or more
Alaska	Kenai Peninsula Boroug	1,437	1,687	1,778	1,982	2,014
Alaska	Ketchikan Gateway Bor	1,755	2,061	2,172	2,422	2,461
Alaska	Kodiak Island Borough	1,942	2,280	2,403	2,679	2,723
Alaska	Lake and Peninsula Bor	1,697	1,993	2,100	2,342	2,379
Alaska	Matanuska-Susitna Bor	1,625	1,908	2,011	2,242	2,278
Alaska	Nome Census Area	1,378	1,618	1,705	1,901	1,932
Alaska	North Slope Borough	1,248	1,465	1,544	1,722	1,749
Alaska	Northwest Arctic Borou	1,323	1,554	1,637	1,825	1,855
Alaska	Petersburg Census Area	1,464	1,720	1,812	2,020	2,053
Alaska	Prince of Wales-Hyder	1,310	1,538	1,621	1,807	1,837
Alaska	Sitka City and Borough	1,795	2,108	2,221	2,477	2,517
Alaska	Skagway Municipality	2,160	2,537	2,673	2,980	3,029
Alaska	Southeast Fairbanks Ce	1,394	1,637	1,725	1,923	1,954
Alaska	Valdez-Cordova Census	1,622	1,906	2,008	2,239	2,275
Alaska	Wade Hampton Census	818	960	1,012	1,128	1,147
Alaska	Wrangell City and Boro	1,464	1,720	1,812	2,020	2,053
Alaska	Yakutat City and Borou	1,309	1,537	1,620	1,806	1,835
Alaska	Yukon-Koyukuk Censu	1,175	1,380	1,454	1,621	1,647
Arizona	Apache County	1,012	1,189	1,253	1,397	1,420
Arizona	Cochise County	1,236	1,452	1,530	1,706	1,733
Arizona	Coconino County	1,496	1,758	1,852	2,065	2,098
Arizona	Gila County	1,204	1,414	1,490	1,661	1,688
Arizona	Graham County	1,121	1,316	1,387	1,547	1,571
Arizona	Greenlee County	908	1,067	1,124	1,253	1,273
Arizona	La Paz County	1,069	1,256	1,323	1,475	1,499
Arizona	Maricopa County	1,570	1,844	1,943	2,166	2,201
Arizona	Mohave County	1,195	1,404	1,479	1,649	1,676
Arizona	Navajo County	1,176	1,382	1,456	1,623	1,650
Arizona	Pima County	1,390	1,632	1,720	1,918	1,949
Arizona	Pinal County	1,429	1,678	1,768	1,972	2,004
Arizona	Santa Cruz County	1,198	1,407	1,483	1,654	1,680
Arizona	Yavapai County	1,350	1,586	1,671	1,863	1,893
Arizona	Yuma County	1,220	1,433	1,510	1,684	1,711
Arkansas	Arkansas County	961	1,128	1,189	1,326	1,347
Arkansas	Ashley County	925	1,086	1,144	1,276	1,296

Chapter 13:

Engagement Agreements

Hourly Fee Agreement Sample

(please verify that any engagement agreement you use including this sample does not violate any of your local State laws):

Date

Client Name

Address

City, State, Zip

CLIENT AGREEMENT

This is intended to be a legally binding agreement under the laws of State in which company conducts business. Please read it carefully before signing.

RETAINER AGREEMENT FOR TAX REPRESENTATION SERVICES

This Agreement is for tax representation services between NAME (“Client”, “you”, “your”) and the Tax Resolution Institute Inc (“we”, “our”, “us”). The purpose of this document is to reduce this agreement to writing so that we will understand our obligations to each other.

MATTER IN WHICH REPRESENTATION WILL BE PROVIDED

At your request our engagement is limited to the: (1) Preparation of Power of Attorney for federal income taxes due; (2) Assessment of administrative procedures and administrative remedies available; (3) Meeting with Revenue Officers by telephone or in person; (4) Negotiation of a Federal Installment Agreement, as applicable.

SCOPE OF REPRESENTATION

Our responsibility will be to undertake the above matters, to represent the Client and to do everything necessary to properly handle this matter.

CLIENT TO BE KEPT INFORMED

We will keep the Client fully informed of the status of this matter and will provide copies of all relevant correspondence concerning this matter. We will meet (either in person or over the telephone) at any mutually agreeable time to discuss the status of this matter. The Client is urged to communicate any and all concerns or questions which the Client has in connection with this representation and we will endeavor to promptly respond.

NO PREDICTION OF RESULTS

ALTHOUGH WE WILL USE OUR BEST EFFORTS AS CERTIFIED PUBLIC ACCOUNTANTS FOR THE CLIENT TO REPRESENT THE CLIENT IN ACHIEVING THE MOST FAVORABLE POSSIBLE RESULT UNDER THE LAWS OF THE UNITED STATES, WE MAKE NO REPRESENTATION OR PREDICTION THAT ANY GIVEN RESULT WILL OCCUR AS A RESULT OF SUCH EFFORTS.

COOPERATION OF THE CLIENT

The Client agrees that he/she will (A) promptly respond to any oral or written request by us to provide information and (B) diligently assist us in obtaining any information from any third party. The Client understands that failure to diligently assist us in representing the Client could lead to a less favorable result in this matter and to additional representation fees

Chapter 17:

Tax Liens

Introduction

In order to protect their interest, the IRS often records a tax lien against a delinquent taxpayer within the county that they own real property. Unlike a bank levy or a wage garnishment, a tax lien is typically not a “call to action” That is, a tax lien with usually not prohibit a delinquent taxpayer from continuing with their everyday living unless of course a taxpayer is in the process of (1) selling their real property or (2) looking to borrow money or conduct some other type of transaction in which their credit will be a factor

Although the IRS may file a lien against one’s real or personal property, it is unusual for the IRS to attach a lien to personal property unless the delinquent taxpayer has a valuable asset such as a classic car, art collection or a coin collection.

Once a lien has been filed by the IRS, the taxpayer will receive a notice indicating that the lien has been filed. Many delinquent taxpayers assume that the notice they receive is an indication that the IRS is about to performing active collection against them. While active collection will most likely occur in the near future, a filing of a lien is not directly related.

There are ways a delinquent taxpayer may avoid a lien from being filed. The most obvious way is of course to fully pay their liability. This rarely occurs as most delinquent taxpayers cannot afford to full pay their liability. Another way to avoid a lien from being filed is to enter into an installment agreement over an extended period of time. In order to qualify, the taxpayer must (1) owe less than \$25,000, (2) be able to fully pay the liability within 72 months and (3) have not defaulted on a previous agreement with the IRS.

There are four ways in which a lien may affects a delinquent taxpayer. They are as follows:

- **They affect one’s assets** - a lien attaches to one’s current assets as well as one’s future assets acquired over the duration that the lien remains in effect.
- **They affect one’s credit** - once a Notice of Federal Tax Lien has been sent, a taxpayer’s credit score generally is reduced greatly affected their ability to borrow.
- **They affect businesses** – a Federal tax lien attaches to all business property and to all rights to business property, including accounts receivable over the duration of the lien. This not only prohibits businesses from seeking financing but usually ends existing borrowing relationships.
- **They may affect one’s ability to discharge debt in bankruptcy** — if a taxpayer files for bankruptcy, their tax debt, lien, and Notice of Federal Tax Lien may continue to exist after the bankruptcy is complete.

If a tax lien exists, there are options allowing a delinquent taxpayer to withdrawl a Federal tax lien.

Withdrawal^{xxiii}

A "withdrawal" removes the public Notice of Federal Tax Lien and assures that the IRS is not competing with other creditors for your property; however, you are still liable for the amount due. For eligibility, refer to Form 12277, Application for the Withdrawal of Filed Form 668(Y), Notice of Federal Tax Lien (Internal Revenue Code Section 6323(j)) (PDF) and the video Lien Notice Withdrawal.

Two additional Withdrawal options resulted from the Commissioner’s 2011 Fresh Start initiative.

One option may allow withdrawal of your Notice of Federal Tax Lien after the lien’s release. General eligibility includes:

Your tax liability has been satisfied and your lien has been released; and also:

- You are in compliance for the past three years in filing - all individual returns, business returns, and information returns;
- You are current on your estimated tax payments and federal tax deposits, as applicable.

The other option may allow withdrawal of your Notice of Federal Tax Lien if you have entered in or converted your regular installment agreement to a Direct Debit installment agreement. General eligibility includes:

- You are a qualifying taxpayer (i.e. individuals, businesses with income tax liability only, and out of business entities with any type of tax debt)
- You owe \$25,000 or less (If you owe more than \$25,000, you may pay down the balance to \$25,000 prior to requesting withdrawal of the Notice of Federal Tax Lien)
- Your Direct Debit Installment Agreement must full pay the amount you owe within 60 months or before the Collection Statute expires, whichever is earlier
- You are in full compliance with other filing and payment requirements
- You have made three consecutive direct debit payments
- You can't have defaulted on your current, or any previous, Direct Debit Installment agreement.