

The IRS Resolution Guide for Owner-Operators.

Learn ways to avoid penalties, how the IRS deals with unpaid taxes, the resolution options available, and how to take action to resolve your debt.

A publication of:



Introduction

If a business generates profits, taxes should be paid. The Internal Revenue Service (IRS) requires owner-operators to estimate the profits of their business and make quarterly estimated tax payments. They penalize those who do not make these payments.

Saving for quarterly estimated tax payments requires discipline and understanding. If you have past due taxes, a little knowledge and the right business service provider can help to resolve your debt with the IRS.

If you are worried about dealing with the IRS because of your past due taxes, this ebook was made for you! In this ebook we will discuss ways to avoid paying penalties to the IRS, how the IRS deals with unpaid taxes, help you understand the tax resolution options available, and provide tips on how to resolve your debt with the IRS.

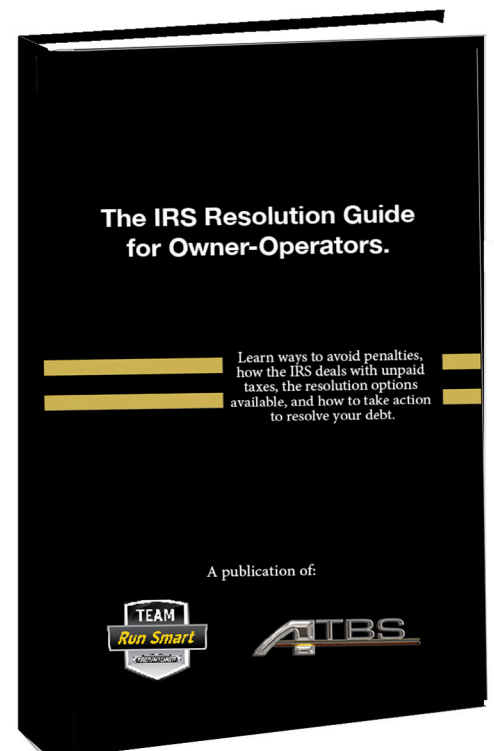


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Chapter 1: Avoiding IRS Penalties

File Even if You Can't Pay.

If you do not file a tax return, the IRS may file a Substitute for Return (SFR) on your behalf. If the IRS prepares the SFR, it will not include any exemptions or expenses you may be entitled to, leaving a tax return filed with the maximum amount of income tax due and no deductions. This process can quickly lead to wage garnishments or even seizure of your assets.



Gather records and file all tax forms on time, even if you can't pay anything. The failure-to-file penalty is generally more than the failure-to-pay penalty.

If you cannot pay all the taxes owed, still file your tax return on time and pay as much as possible, and then explore other payment options.

Chapter 1: Avoiding IRS Penalties

Request an Extension if You Can't Pay in Full.



Request an extension by the tax deadline and pay at least 90 percent of actual tax liability by the original due date.

A failure-to-pay penalty will not be charged if the remaining balance is paid by the extended due date.



Chapter 1: Avoiding IRS Penalties

Don't Underestimate Your Taxes.

Paying taxes can be annoying, but paying penalties for underestimating liability is worse. You can be penalized for underpayment if total tax due when you file is over \$1,000.

However, there are a couple of things to help protect you from these penalties:

- If 90% of the total taxes owed are paid.
- If the estimated payments made are equal to the taxes paid last year. This is particularly helpful if you saw a sharp increase in income over last year.

Chapter 1: Avoiding IRS Penalties

Avoid the Interest Penalty.

Self-employment taxes are due quarterly on the 15th of April, June, September, and January. Those who don't pay their estimated self-employment tax will be subject to an interest penalty. With compounding daily interest it doesn't pay to wait a day longer.



If you have the money, pay the IRS as soon as possible. If you fall behind on estimated tax payments, stop accruing interest by making an estimated payment that brings you up-to-date.

Going forward, interest will not be owed as long as you continue to make payments.

You can't protect yourself against penalties by waiting until the end of the year and making a large estimated payment. Also, when quarterly payments are not made, many don't have the money to pay the full tax bill at the end of the year. This oversight has forced many owner-operators out of business.

Chapter 1: Avoiding IRS Penalties

Tax Calendar.



Put time aside on your calendar each quarter to work through tax estimates. Do not wait until the last minute and pay penalties.

Click on the calendar below to download your free copy of ATBS' 2013 Tax Calendar. This tax calendar contains helpful reminders of year-round tax deadlines for owner-operators and it includes an income and deduction check-list.



Chapter 1: Avoiding IRS Penalties

Hire a Tax Advisor.

With all the responsibilities and demands on your time, many owner-operators hire a tax professional to relieve the stress of preparing taxes.



Choose someone who is familiar with the various technical terms and implications of taxes for the trucking industry because they can drastically decrease your tax liability.

ATBS, for example, has over 15 years experience helping owner-operators and drivers with their taxes, bookkeeping, business consulting, and IRS resolution. Call 866-920-2827 or go to www.ATBSshow.com for more information.



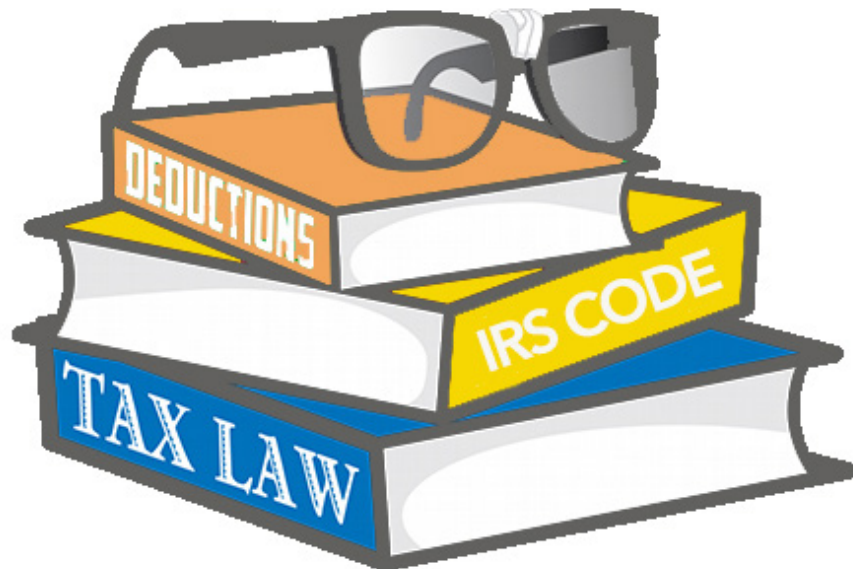
Chapter 1: Avoiding IRS Penalties

Consider IRS Resolution.



If circumstances make it unlikely you can pay the full tax, make an offer to settle your account for less than the amount owed (Form 656).

In the next chapters we will discuss how the IRS deals with unpaid taxes and how to be considered for IRS Resolution.



Chapter 2: Understanding the IRS

Communicate with the IRS.

Unfortunately, you can't file bankruptcy to get out of IRS debt like other debts. If you are worried about the IRS and past due taxes and/or the IRS is making contact, a little knowledge and the right help can eliminate stress during this time. The longer you avoid the IRS, the worse the situation can become.



Ultimately, not communicating with the IRS results in a more difficult situation that leads to owing more money. The IRS can be reached at 800-829-1040, when you are ready to contact them.

Chapter 3: Resolution Options

Dealing with the IRS.

If you owe back taxes, there are three options for tax resolution - an Offer In Compromise, an Installment Agreement, or Non-Collectible Status.

A business service provider can decide which resolution option to use based on your tax history, details on the case, and income information. This information determines the best source of resolution.

Here are the finances reviewed:

- Review of gross monthly income
- Review of monthly expenses
- Housing and utilities *NS
- Vehicles *NS
- Health insurance
- Out-of-pocket health care *NS
- Taxes
- Child support
- Life insurance

**NS= National Standards have been established by the IRS for five necessary expenses: food, housekeeping supplies, apparel and services, personal care products and services, and miscellaneous. The standards are derived from the Bureau of Labor Statistics. The survey collects information from the Nation's households and families on their buying habits, income and household characteristics.*

Chapter 3: Resolution Options

Offer In Compromise (OIC).

An OIC allows qualified taxpayers to settle their debt with the IRS for less than the full amount owed. An OIC is based on a taxpayer's reasonable collection potential (RCP). Calculating the RCP is the most critical element in determining the outcome of a taxpayer's OIC.

Here are the requirements for an OIC:

- Tax preparation: all delinquent returns need to be filed.
- Estimated tax payments: you will need to be current on all quarterly taxes for the year.
- Bankruptcy: no pending or active bankruptcy can take place.
- Total household: OIC is based on total household income and expenses. This can include spouses, significant others, children, roommates and others that reside in the residence. Failure to submit this information may result in a rejection.

Chapter 3: Resolution Options

OIC Application.

There are two different payment plans for the taxpayer to consider when submitting an OIC. With either payment option, there is a one-time fee for each OIC of \$150.00. This is the application fee for the IRS to consider and review the offer. The fee will not be applied to the offer amount.

Here are the payment plan options:


- Lump sum payment plan: 20% of the offer amount will need to be submitted with the OIC. Once the offer is accepted, the remaining balance due will be paid within five months.
- Periodic payment plan: The offer amount is set up in a 24-month payment plan. The first monthly payment will need to be sent with the submission of the offer. The payments will need to be paid while the offer is pending. Applicable vouchers can be sent to the taxpayer to aid this process.

Chapter 3: Resolution Options

OIC Requirements.

During the OIC Process:

- All collection activities are suspended.
- A Federal Tax Lien may be filed.
- Payments on an existing installment agreement are not required.
- An offer is automatically accepted if the IRS does not make a determination within 2 years of the IRS receipt date.



If an OIC is accepted, you are required to file and pay taxes on time for the next five years. If the terms are not complied with, the OIC will default and the original tax including all interest and penalties will be due.

Chapter 3: Resolution Options

Installment Agreement.

An installment agreement is a monthly payment plan to pay the outstanding tax debt and to ensure collection activity is suspended.



If you owe the IRS less than \$25,000, you can qualify for a payment agreement with no financial disclosure. The agreement requires you to pay the total amount owed within 72 months.

If you owe the IRS greater than \$25,000, an overview of your Income & Expense table (IET) and Asset/Equity table (AET) will be required to determine the ability to pay the monthly fee.

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ATBS Case Study

Driver: Bill H.
IRS Issue: \$350,437.64 in back taxes.
ATBS Solution: Settled for **\$23,440.00**

ATBS worked with the IRS to create a payment plan for Bill. Bill paid his settlement over 24 months, interest free.

Chapter 3: Resolution Options

Non-Collectible Status.

If you do not have the financial ability to pay your debt, consider a non-collectible status. The non-collectible status will suspend all garnishments, levies, and collection activity. We will discuss the difference between these collections in the next chapter.

You will need to provide financial information supporting your income, expenses and assets. If approved, the case is closed until the following year's tax return is filed and an annual review is completed. If the income information has not increased based on the tax return, you will remain in non-collectable status. The debt does not go away and interest will continue to accrue.



Voluntary payments are highly suggested to avoid increasing debt owed.

Chapter 4: IRS Collections

Liens.

Waiting to pay back taxes could result in the IRS taking collections. If you have an issue with the IRS, you have probably heard about liens and levies. Dealing with the IRS and understanding what the difference is between these collections can be frustrating and confusing. Here are how these collection actions might affect you and what the difference is between them.

Lien: The IRS can file a Notice of Federal Tax Lien to alert creditors that the government has a legal right to your property. When you don't pay your tax debt, a lien secures the government's interest. A lien can affect your assets, credit, business, and bankruptcy.

If you refuse to address your issue with the IRS, a lien will be filed after the following actions:

- Assessment of the liability.
- A bill is sent explaining how much is owed.
- You neglect or refuse to pay debt in full or on time.



ATBS Case Study

Driver: James T.
IRS Issue: \$24,897.62 in back taxes.
ATBS Solution: Settled for **\$190.00**

James came to ATBS with a wage garnishment on his settlements and federal tax liens filed. After working with ATBS, the garnishment was released, the total balance due was negotiated and his federal tax liens were removed when he paid the accepted offer amount of just \$190!

Chapter 4: IRS Collections

Levies.

Levy: A legal seizure to levy your property or wages to satisfy a tax debt. After you receive the Final Notice of Intent to Levy letter, the IRS has the right to collect the unpaid debt by pursuing a wage garnishment.

Wage garnishments take place when the IRS contacts your current employer and tells them to forward up to 25%+ of your income. The withheld funds will be forwarded to the IRS and applied to your debt until paid in full.



ATBS Case Study

Driver: David S.
IRS Issue: \$480,000.00 in back taxes.
ATBS Solution: Settled for **\$11,400.00**

The IRS was at David's door when he contacted ATBS. ATBS prepared the last 12 years of tax returns, prevented all collection efforts (bank levies, garnishments, etc.) and negotiated his total balance due.

Chapter 4: IRS Collections

Levies Cont.

Bank Levy: The IRS can file a suit for a bank levy against one or all active bank accounts. At the time the levy is received at your banking institute, the funds will be placed on hold for 21 days. In order to release the funds, a hardship will need to be shown to the IRS. If this cannot be done, the funds will be sent to the IRS after the 21 days and applied to the earliest year(s) with a balance due.

A bank levy is a “one time at service levy”, meaning the bank account can still be used for all other banking purposes during this period. No other funds will be held but be aware that the bank can also assess their fees.



Chapter 4: IRS Collections

Trust Fund Recovery Penalty (TFRP).

TFRP: If Income, Social Security, and Medicare taxes that must be withheld from employees are not deposited from the company to the IRS, the trust fund recovery may apply.

You can be held liable for a penalty to the full amount of the unpaid trust fund tax. If you are responsible for withholding, accounting for, depositing, or paying payroll taxes and willingly fail to do so, you can be personally assessed for the full amount due.

Chapter 5: Conclusion

The Big Idea.

By simply filing and paying taxes on time, you can typically avoid issues with the IRS. Have a solid plan that includes a budget for both state and federal taxes and stick to it. It's always less expensive to prevent a tax problem than to fix a tax problem.

If you do get into a situation where you cannot pay taxes, work with a business service provider, such as ATBS, to come up with the best solution so you can keep your business running smoothly and profitably.

Appendix

ATBS Tax Resolution Services.

ATBS advises on complex tax implications and can assist with your IRS issues. Watch the video below to learn more about our IRS Resolution Services!



With a FREE initial consultation, you have nothing to lose! Call 866-920-2827 to get started today.