



WHAT YOU NEED TO KNOW NOW...

WHAT TO DO IF YOU CANNOT PAY YOUR TAXES?

We know the story: Things are tight financially, so you either don't file your tax returns, or you file the returns but don't pay the balance due. But don't worry, you tell yourself, next year will be better and I will be able to catch up.

Now it is 2-3 years later and a letter arrives from the IRS. The threats start, and maybe the situation has even gotten to the point of an actual levy and seizure activity. Now the IRS is wreaking havoc on your financial life and you simply do not know what to do.



We understand. We have helped many clients through this exact scenario. Fear not, there is light at the end of the tunnel.

As it turns out, the IRS is usually only too eager to work with taxpayers, but there are some ground rules you need to be aware of and a roadmap you need to follow. Here are the three steps to take:

1. Get into compliance

The first step in resolving your tax issue is to get into "Tax Compliance". This means that you have filed all tax returns due for the last six years and have made many, if not all, tax payments for those years. Once you are in tax compliance, we can now work on resolving the back tax issue(s).

2. Learn about collection alternatives

There are three main collection alternatives to resolve a back-tax debt: Installment Agreement, Uncollectible Status, Offer-in-Compromise.

Installment Agreement, in which the taxpayer agrees to pay the taxes owed over a period of time. Installments

come in three variations: Regular, Streamlined, and Partial-Pay. Which types of agreement works best for you will depend upon your personal financial circumstances and is something that we can help you address when you are ready.

Uncollectible Status occurs when the IRS determines you are unable to make any current tax payments. When a taxpayer is deemed uncollectible, the IRS may still file a Notice of Federal Tax lien to secure its position in the taxpayer's assets but will not otherwise take enforcement action to seize (or levy) the taxpayer's assets or sources of income.

Offer-in-Compromise is the alternative in which the IRS agrees to accept less than the total amount owed and the taxpayer agrees to pay the amount negotiated, as well as maintain his or her tax compliance for five years following the acceptance of the Offer-in-Compromise ("Offer").

The basis for an Offer is a formula referred to as "Reasonable Collection Potential" or "RCP". RCP is effectively the net equity in assets plus the taxpayer's future excess future income for 12 or 24 months, depending on how the Offer is structured. There can be significant planning done to help a taxpayer maximize the potential for the Offer's acceptance.



3. Work with a reputable tax advisor

If you or someone you know has an issue with paying their federal taxes and needs help to end their IRS nightmare, please contact us at 609-443-0469 or Lsteinberg@SteinbergEnterprises.com.

We are committed to improving our clients' financial well being.

Please call us with your tax and financial questions.

Steinberg Enterprises provides confidential, convenient services based on over 27 years of practical financial management and tax experience.

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186 Princeton-Hightstown Rd.
Building 3A, Suite 9
West Windsor, NJ 08550
609.443.0469 609.443.0499 fax
www.SteinbergEnterprises.com