

Working with Revenue Officers: What They Don't Want You To Know.

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1

What You Are Going To Learn

- ▶ What Revenue Officers Are
- ▶ What Revenue Officers Do
- ▶ What's in the Revenue Officer's Tool Bag

2

What Revenue Officers Are

This is what you expect



3

What Revenue Officers Are

But this is what you get



4

What Revenue Officers Are

- ▶ Federal law enforcement officers
 - ▶ They don't carry guns.
- ▶ They enforce the tax laws via civil and administrative means
- ▶ They do NOT enforce tax laws criminally, but do refer cases for criminal prosecution

5

What Revenue Officers Are

- ▶ Civil Service Employees
- ▶ Generally GS-07 to GS-12
- ▶ Mostly ATAT RO's achieve GS-13 but general duty field RO's can too

6

What Revenue Officers Do

- ▶ Collect taxes (Mostly payroll tax)
- ▶ Secure delinquent returns
- ▶ Educate taxpayers on their responsibilities under our tax system

7

What's In the RO's Toolbag?

- ▶ Levy/Seizure
- ▶ Lien
- ▶ SFR
- ▶ 6020B
- ▶ Summons
- ▶ Criminal referral

8

Levy

- ▶ Form 668A
 - ▶ Bank accounts
 - ▶ Only attaches to balance when levy hits
 - ▶ Credit cards
 - ▶ Only attaches to what TP is entitled to when levy hits

9

Levy cont...

- ▶ Accounts receivable
 - ▶ Only attaches to what the TP is owed when levy hits
- ▶ Unless they are contracts. Then...
 - ▶ Attaches to the contract and all contracted payments are subject to levy
 - ▶ 1099 contractors will lose 100% of pay

10

Levy cont...

- ▶ Form 668W
- ▶ Continuous levy attaching to wages greater than...

1. Tables for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income (Forms 668-W(ACS), 668-W(c)(DO) and 668-W(ICS))											2019				
The tables below show the amount of an individual's income (take home pay) that is exempt from a notice of levy used to collect delinquent tax in 2019															
Filing Status: Single							Filing Status: Married Filing Joint Return (and Qualifying Widow(er)s)								
Pay Period	Number of Dependents Claimed on Statement						Pay Period	Number of Dependents Claimed on Statement							
	0	1	2	3	4	5	More Than 5		0	1	2	3	4	5	More Than 5
Daily	46.92	63.07	79.22	95.37	111.52	127.67	46.92 plus 16.15 for each dependent	Daily	93.85	110.00	126.15	142.30	158.45	174.60	93.85 plus 16.15 for each dependent
Weekly	234.62	315.39	396.16	476.93	557.70	638.47	234.62 plus 80.77 for each dependent	Weekly	469.23	550.00	630.77	711.54	792.31	873.08	469.23 plus 80.77 for each dependent
Biweekly	469.23	630.77	792.31	953.85	1115.39	1276.93	469.23 plus 161.54 for each dependent	Biweekly	938.46	1100.00	1261.54	1423.08	1584.62	1746.16	938.46 plus 161.54 for each dependent
Semimonthly	508.33	683.33	858.33	1033.33	1208.33	1383.33	508.33 plus 175 for each dependent	Semimonthly	1016.67	1191.67	1366.67	1541.67	1716.67	1891.67	1016.67 plus 175 for each dependent
Monthly	1016.67	1366.67	1716.67	2066.67	2416.67	2766.67	1016.67 plus 350 for each dependent	Monthly	2033.33	2383.33	2733.33	3083.33	3433.33	3783.33	2033.33 plus 350 for each dependent
Filing Status: Head of Household							Filing Status: Married Filing Separate Return								
Pay Period	Number of Dependents Claimed on Statement						Pay Period	Number of Dependents Claimed on Statement							
	0	1	2	3	4	5	More Than 5		0	1	2	3	4	5	More Than 5
Daily	70.58	86.73	102.88	119.03	135.18	151.33	70.58 plus 16.15 for each dependent	Daily	46.92	63.07	79.22	95.37	111.52	127.67	46.92 plus 16.15 for each dependent
Weekly	352.88	433.65	514.42	595.19	675.96	756.73	352.88 plus 80.77 for each dependent	Weekly	234.62	315.39	396.16	476.93	557.70	638.47	234.62 plus 80.77 for each dependent
Biweekly	705.77	867.31	1028.85	1190.39	1351.93	1513.47	705.77 plus 161.54 for each dependent	Biweekly	469.23	630.77	792.31	953.85	1115.39	1276.93	469.23 plus 161.54 for each dependent
Semimonthly	764.58	939.58	1114.58	1289.58	1464.58	1639.58	764.58 plus 175 for each dependent	Semimonthly	508.33	683.33	858.33	1033.33	1208.33	1383.33	508.33 plus 175.00 for each dependent
Monthly	1529.17	1879.17	2229.17	2579.17	2929.17	3279.17	1529.17 plus 350 for each dependent	Monthly	1016.67	1366.67	1716.67	2066.67	2416.67	2766.67	1016.67 plus 350 for each dependent
2. Table for Figuring Additional Exempt Amount for Taxpayers at Least 65 Years Old and/or Blind							Examples								
Filing Status	*	Additional Exempt Amount					These tables show the amount of take home pay that is exempt each pay period from a levy on wages, salary, and other income.								
		Daily	Weekly	Biweekly	Semi-monthly	Monthly	1. A single taxpayer who is paid weekly and claims three dependents has \$476.93 exempt from levy.								
Single or Head of Household	1	6.35	31.73	63.46	68.75	137.50	2. If the taxpayer in number 1 is over 65 and writes 1 in the ADDITIONAL STANDARD DEDUCTION space on Parts 3, 4, & 5 of the levy, \$508.66 is exempt from this levy (\$476.93 plus \$31.73).								
	2	12.69	63.46	126.92	137.50	275.00	3. A taxpayer who is married, files jointly, is paid bi-weekly, and claims two dependents has \$1,261.54 exempt from levy.								
Any Other Filing Status	1	5.00	25.00	50.00	54.17	108.33	4. If the taxpayer in number 3 is over 65 and has a spouse who is blind, this taxpayer should write 2 in the ADDITIONAL STANDARD DEDUCTION space on Parts 3, 4, and 5 of the levy. If so, \$1,361.54 is exempt from this levy (\$1,261.54 plus \$100).								
	2	10.00	50.00	100.00	108.33	216.67									
	3	15.00	75.00	150.00	162.50	325.00									
	4	20.00	100.00	200.00	216.67	433.33									

* ADDITIONAL STANDARD DEDUCTION claimed on Parts 3, 4, and 5 of levy.

Levy

- ▶ Make sure the proper levy is used
 - ▶ Employers don't know which is required
 - ▶ 668A issued on wage earner doesn't attach
 - ▶ 668W issued on contractor doesn't attach
- ▶ Cannot levy if it will cause a hardship

13

Seizure

- ▶ Seizure is another form of levy
- ▶ Most RO's never do a seizure
- ▶ Much harder since RRA98
- ▶ Most RO's are lazy and won't do the paperwork required to get a seizure approved

14

Lien

- ▶ RO's file Notice of Federal Tax Lien
 - ▶ Statutory lien already exists 10 days after assessment and demand
- ▶ RO's must make a lien determination on all cases of \$10,000 or more
- ▶ Determination will always be to file
- ▶ Can file for lesser amounts
- ▶ NFTL's collect much more money than RO's do

15

Lien cont...

- ▶ For a lien to be "CHOATE" (perfected) it must
 - ▶ Name the creditor
 - ▶ Name the debtor
 - ▶ List the property subject to lien
 - ▶ List the amount
 - ▶ Be filed in the proper place

16

Lien cont...

- ▶ What is the proper place?
 - ▶ County courthouse where TP resides in most cases
 - ▶ Secretary of State for businesses plus the county courthouse if the business owns R/E
 - ▶ FAA for airplanes
 - ▶ DMV for cars, motorcycles, etc..

17

Lien cont...

- ▶ IRS doesn't file anywhere but the county and the Secretary of State.
- ▶ Liens on cars/boats/trucks/motorcycles/airplanes are NOT CHOATE!
- ▶ They can still be seized
- ▶ But TP can sell them after lien is filed but before seizure

18

SFR-Substitute For Return

- ▶ Terminology for Income Tax Returns filed by the IRS/RO on behalf of delinquent TP
- ▶ TP first must be told to file
- ▶ Deadline to file must be set
- ▶ TP must be warned that failure to file will result in SFR
- ▶ TP must fail to file by the deadline

19

6020(b)

- ▶ Terminology for Payroll Tax Returns filed by the IRS/RO on behalf of delinquent TP
- ▶ TP first must be told to file
- ▶ Deadline to file must be set
- ▶ TP must be warned that failure to file will result in SFR
- ▶ TP must fail to file by the deadline

20

Summons

- ▶ Summons for Collection Form 2039
 - ▶ Most often for bank records, but could be for contracts or any other records held by third party
 - ▶ No waiting period
 - ▶ No notice required
- ▶ Summons for testimony

21

Summons cont...

- ▶ Summons for TFRP Form 6639
 - ▶ Sent to bank to secure records sufficient to prove liability for the TFRP
 - ▶ Bank Statements
 - ▶ Cancelled checks
 - ▶ Signature cards

22

Summons cont...

- ▶ Requires TP notice
- ▶ Requires 23 day waiting period
 - ▶ If answered early, IRS cannot open the envelope until the 24th day
 - ▶ Allows time to file a petition to quash

23

Criminal Referral

- ▶ RO's work closely with their FTA (Fraud Technical Advisor)
- ▶ When fraud is suspected they build evidence and refer to CI through FTA
- ▶ RO's trained to look for badges of fraud

24

Badges of Fraud

- ▶ Failure to file income tax returns.
- ▶ Understating income.
- ▶ Failure to maintain adequate records.
- ▶ Concealing income or assets.
- ▶ Failure to cooperate with tax authorities.
- ▶ Asserting frivolous arguments.
- ▶ Lack of credibility of the taxpayer's testimony.

25

Badges of Fraud cont...

- ▶ Implausible or inconsistent explanations of behavior.
- ▶ Engaging in illegal activities.
- ▶ Attempting to conceal illegal activities.
- ▶ Filing false documents.
- ▶ Dealing in cash.

26

Badges of Fraud cont...

- ▶ Failure to provide documents to the IRS.
- ▶ Engaging in a pattern of behavior with an intent to mislead.
- ▶ Failure to deposit receipts into a business account.
- ▶ Commingling personal and business income or assets.
- ▶ Establishing multiple entities with no business purpose.

27

Collection

- ▶ RO's are required to make surprise field visits to TP's without a POA
 - ▶ Looking for assets
 - ▶ So criminal TP's don't have time to hide evidence or assets
 - ▶ So employees can't be coached in advance

28

Collection

- ▶ RO's must identify themselves and show pocket commission (Badge)
- ▶ RO's must provide and explain Pub 1 "Your rights as a taxpayer"
- ▶ RO's must provide and explain Pub 594 "The collection Process"

29

Collection

- ▶ Typical field call
 - ▶ You owe \$XXX.XX, Can you pay that today?
 - ▶ You can't? ok, I will have to file a lien
 - ▶ How have you been planning on taking care of it?
 - ▶ Since you cannot pay today, I have to get some financial information.

30

Collection

- ▶ Typical field call
 - ▶ RO takes 433A/B interview
 - ▶ If it is for payroll tax, RO Takes 4180 interview and 433A on each potentially responsible party.
 - ▶ RO demands tour of facility

31

Collection

- ▶ RO inventories all assets and asks for values and who may want to buy them at seizure auction.
- ▶ RO will attempt to interview employees
- ▶ This is all done to show that RO is in charge and TP had better comply

32

Collection

- ▶ What can TP do?
 - ▶ Best option is to ask RO to leave immediately upon identification and hire POA
 - ▶ If TP handles it alone then ask to reschedule—no time now
 - ▶ This gives time to prepare

33

Collection

- ▶ RO must leave if asked
- ▶ Then TP can make sure no employees are around when tour takes place later
- ▶ TP can provide the 433A/B and 4180 later
- ▶ RO will always provide Form 9297 “Summary of Taxpayer Contact” when leaving

34

Collection

- ▶ Form 9297 will list demands and set a deadline for each demand.
- ▶ Will also warn of enforcement action for each.
- ▶ Cannot take enforcement action if prior warning not given

The image shows Form 9297, 'Summary of Taxpayer Contact'. At the top, it says 'Summary of Taxpayer Contact' and 'Taxpayer's ID #'. Below this, there are two columns: 'Information/Documents required' and 'Date required'. Handwritten entries in the table include: '2015 Power of Attorney' with date '6/21/2019', '9/30/2016 941 tax return' with date '11', and '2151 Sign + Jcs' with date '11'. A handwritten date '6/17/19' is written across the middle of the table with a diagonal line. Below the table, there is a signature box with a signature and the word 'Signature' written below it. At the bottom of the form, there is a 'Notification of consequences of failure to meet the above deadlines' section. It states: 'Failure to meet the above deadlines by the specified date(s) may require the IRS to take certain actions, such as issuing a summons, issuing a Notice of Levy, or other actions as specified below.' Handwritten text reads: 'Will complete 6020(b) procedure + prepare unfiled tax returns 941- for Sept 30, 2016. Complete trust fund recovery process + by p.a.a power of attorney'. At the very bottom, there are fields for 'Revenue Officer name', 'Date', and 'Telephone number'. Handwritten entries are: 'A. Jambert', '6/17/2019', and '610-281-6270'.

Information/Documents required	Date required
- 2015 Power of Attorney	6/21/2019
- 9/30/2016 941 tax return	11
- 2151 Sign + Jcs	11

Notification of consequences of failure to meet the above deadlines: Failure to meet the above deadlines by the specified date(s) may require the IRS to take certain actions, such as issuing a summons, issuing a Notice of Levy, or other actions as specified below.

Will complete 6020(b) procedure + prepare unfiled tax returns 941- for Sept 30, 2016. Complete trust fund recovery process + by p.a.a power of attorney

Revenue Officer name: A. Jambert | Date: 6/17/2019 | Telephone number: 610-281-6270

Collection

- ▶ Enforcement action must match the warning
 - ▶ Pay or I will levy
 - ▶ Provide documents or I will summons
 - ▶ File returns or I will SFR/6020(b)
 - ▶ Should not levy because you didn't provide documents etc. unless it is 433A/B

37

Delinquent Returns

- ▶ During surprise field call RO will ask if returns are ready
 - ▶ Sometimes they are prepared but not filed
 - ▶ But not usually
- ▶ If returns are not ready, RO should ask if TP has info to prepare the returns and help prepare them on the spot if possible (941's)

38

Delinquent Returns

- ▶ RO will make deadline to file returns and warn of SFR/6020(b) if not filed by deadline
- ▶ RO will go through 433A/B interview in case balance is owed after filing
- ▶ RO will go through 4180 interview if Payroll tax is involved
- ▶ First contact is often the only opportunity to get info directly from TP

39

Delinquent Returns

- ▶ If returns are not filed, and RO doesn't demand filing and set deadline
 - ▶ This means RO suspects FRAUD and may refer to CI
 - ▶ File returns ASAP
 - ▶ Voluntarily filed returns damage jury appeal and thwart CI acceptance of case for fraud

40

Educating Taxpayers

- ▶ Explain pubs 1 and 594
- ▶ Advise of requirement to file
 - ▶ FTF Penalty is 10 times higher than FTP Penalty
- ▶ Advise of ES payment requirement
- ▶ Visit teaches TP's that RO is in charge and they never want to see one again.

41



42

Thank You



Contact Information

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