

## **How To “Fight” The Tax Man**

In past articles, I’ve spent much of this space explaining how to deal with a tax bill you can’t pay but undisputedly owe. This time, let’s go back a step, and talk about how to avoid owing that money in the first place. It’s NOT a given that, if the Internal Revenue Service says you owe more taxes, you necessarily do. You really DO have a fighting chance with the Tax Man, if you act promptly.

Before the IRS assesses taxes against you, they must first conduct an “examination.” This is when the IRS tells you that they see something they’re wondering about on your tax return, and they want to see the backup. GIVE IT TO THEM! Answer that letter requesting an explanation. Show up for that audit with cancelled checks, bill copies, mileage logs, and everything else you can think of (preferably in a nicely organized binder complete with tabs and table of contents). PAPER THEM TO DEATH (so to speak). The examination (or as most people know it, the “audit”) is your first line of defense. Use it!

Audit doesn’t go well? The agent didn’t agree, or didn’t look at your beautifully organized paperwork, then ESCALATE. There are three (3) basic ways of doing this. First, when the IRS issues you a notice of proposed assessment, they will give fifteen (15) days to file an APPEAL. This will take your case up to a higher level of management for review. But won’t they just back up their guy or gal, you say? Not at all! The Appeals staff is very professional, and I have had them overturn many a revenue agent’s findings.

Don’t want to appeal, or don’t get it done within fifteen (15) days, then the you will be issued a “Notice of Assessment.” This starts a very important clock ticking – you now have ninety (90) days to file a petition with the United States Tax Court. There, you can have your case heard by a Federal judge who specializes in tax matters. Best of all, you can do it without paying one dime of the taxes up front (although interest and penalties WILL continue to accrue, and you’ll have to pay them if you lose).

Finally, if you don’t want to run the risk of being penalized for not paying while you’re in Tax Court, you can pay the tax assessed by the IRS, and then sue for a refund in the United States District Court (what most people think of when they hear the term “federal court”). You can do this anytime within three (3) years of paying the tax, so, if you missed the other deadlines, this is by far your best bet.

The State of California has similar procedures and timelines every step of the way. For more information, check out the Franchise Tax Board’s website – [www.ftb.ca.gov](http://www.ftb.ca.gov) – or contact my office for a free, one-hour consultation.