

Michael D. Sullivan



Fresh Start Tax

Tax Problems Solved

Call 866-700-1040



www.FreshStartTax.com

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Introduction

Michael Sullivan - Fresh Start Tax, LLC

- Former IRS agent and teaching instructor with the IRS
- Worked the narcotics trafficking program at IRS
- Fox business news contributor



Expertise

- 1) IRS and State resolution
- 2) Offers in Compromise
- 3) Non filer program
- 4) IRS audits
- 5) I handle everything except criminal matters

As a former IRS agent I have seized every kind of asset you can imagine:

- Bank accounts
- Wages
- Boats, yachts
- Exotic Cars, RV's
- Airplanes
- Every type of business you can imagine
- Funeral homes
- Race horses
- Homes and possessions of drug lords

As a result of the seizures.

Theses things have happened to me:

- Been shot at
- Knives thrown at me
- Car defaced
- Threatened many times
- Attempt to be burned alive
- Followed and trailed by unhappy taxpayers



My Teaching Lesson



What Actually Happens When You File A Tax Return?

- Every tax return goes through a process once it is received by the IRS Cade 2 computer system.
- IRS scores “Every tax return,” for audit potential.
- A DIF (Discriminatory Index Function) score is assigned to that return.
- Most tax returns get filed and IRS happily accepts the return.



What If You Owe Back Taxes?

- A series of letters is sent by IRS.
- Sent out in 5 week billing cycles.
- Lastly: A final notice is the L-1058.

If you do not contact the IRS upon the final notice:
IRS starts the tax enforcement process.



IRS Enforcement Process Usually Comes In Three Ways

- a) **Bank Levy**
- b) **Wage Garnishment**
- c) **Federal Tax Lien**



1. Bank Levy: A seizure of all funds in the bank the day the levy was received by the bank or financial institution, there is a 21 day hold placed on the account. IRS gives you 21 days to get a levy release.

2. Wage Garnishment: A continuous garnishment of a paycheck until the garnishment is release, IRS lets you keep approx. 15% of your pay check.

3. Federal Tax Lien: A tax lien attaches to all real and personal property and has a ten year statute of limitation, filed at the courthouse, exceptions may apply.

How Will IRS Deal With Those Who Owe Back Taxes?

Taxpayers can qualify for an online payment agreement.

For those who do not qualify for an online payment, they must complete a financial statement. (433A & 433F)

A fully completed financial statement must be able to be verified by the IRS. Verification includes: bank statements, pay stubs, and a copy of all expenses.

IRS will resolve cases “Generally,” in one of the following ways:

- | | |
|-----------------------|---|
| 1. Hardships | 40 % reviewed every 2 or 3 years |
| 2. Part Payment Plans | 6.5 million people per year |
| 3. Settlements | 38 % accepted into OIC (Average Settlement \$9,500) |
| 4. Statute | Generally 10 years |

❖ Extend OIC, CDP, waiver, bankruptcy

How Does the IRS Evaluate Your Financial Statement?

Use of the National Standard Program

For the IRS to properly evaluate your ability to pay the debt, the IRS uses the National Standard Program to make sure everybody is treated fairly.

- ❖ There is a chart available on the IRS.gov website for the NSP.

The IRS will take a look at two major areas of your financial life:

- 1) ASSETS: Savings, Pensions and 401K's
- 2) Income verses National Standard

- ❖ **They are not concerned about your debt.**



The key in dealing with the IRS is knowledge of the internal process

As Former IRS Agents We Have Unique Insights

IRS will check the validity of financial statements based on the case and dollar amount. The IRS can & will use these resources:

1. Accurant search engine
2. Court house records
3. DMV records
4. Credit reports
5. Insurance riders
6. Review of loan applications for credit
7. Refer to DOJ for criminal prosecution



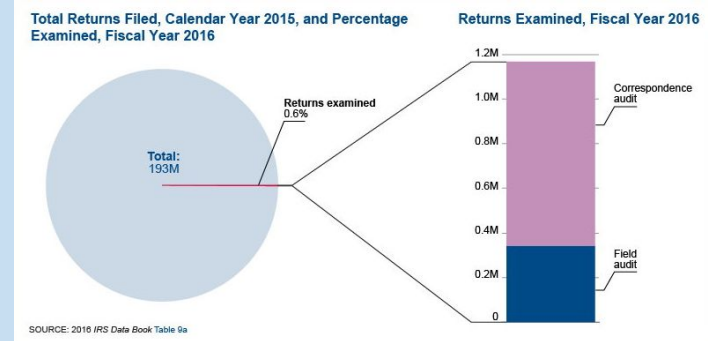
Bottom line: Be honest with all Financial Statements



The IRS is Looking for Consistency in your Financial Affairs

- Bank Statements
- Tax Returns
- Financial Statements
- Cost of Living





IRS Audit Statistics

- 1) .08 Percent of all tax returns are audited.
- 2) Over 350,000 returns are audited in the local office or by field auditors.
- 3) 1.2 million tax payers are audited by the matching program.
 - W2's
 - 10-99's
- 4) In 2016 approx. 71% of all IRS audits were conducted via correspondence, The remaining 29% were conducted In the field.



Tax Returns Most Likely Audited



- 1) Finding errors
- 2) Finding revenue
- 3) Criminal prosecution



❖ FBAR

Those tax returns are usually found in:

- Self employed, Businesses, Schedule C, Corporations and LLC



IRS Tax Audit Selection Process

1. DIF score

- DIF = Discriminatory Index Function
- IRS will compare your return against “norms” for similar returns. Algorithm based

2. Random selection process

3. Related examination

- Your return may be selected if it involves issues with other taxpayers: such as business partners or investors who's returns were selected for audits

4. TCMP

- Taxpayer Compliance Measurement Program

5. Special projects: National or District



Examples of IRS Audits of Cash Businesses

How they arrive at gross revenue

1. Sandwich Shop



2. Laundromat



Tax Audit Tips

1. Package the case for the IRS

- a. Put the case file together for the Agent and give them all photocopies, receipts and documentation.

2. Generally, you will do better in Appeals

3. Hazards of Litigation Defined

The Appeals Officer is determining the quantitative analysis of: The likelihood that, if the case goes to Tax Court on the liability issues: what are the chances the government will prevail? and what are the chances that the taxpayer will prevail?

4. The Cohan Rule

Established in 1930. It allows taxpayers to prove additional deductible expenses. The IRS must allow you to deduct some of your business expenses, even if you do not have every receipt to back them up. However, the IRS expects that you provide credible evidence for these expenses.

How To Prepare A Return With No Records

1. Use IRS transcripts
2. Pull credit reports
3. Take a financial statement
4. Using one month average of expenses per year
5. Use 28 - 32 % rent for basis
6. Bank statements if possible



ALWAYS CYA: Have clients sign documents stating that they have given you correct information for the tax return.



YOUR BUSINESS MARKET PLACE:

- Each of your businesses should have a marketplace environment, that is:
“How to generate more revenue all year round.”
- There are many sources you may want to consider, one of those is by adding an
“IRS and state tax resolution program to your services.”
- You have a tremendous opportunity to add value to your company by adding
these services.

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We can Help you Create a Marketplace Environment

Some of those additional services you can offer relating to tax resolution are the following:

- 1. Owing back taxes**
- 2. Tax settlements**
- 3. The offer in compromise**
- 4. IRS or state tax sales audits**
- 5. Preparing tax returns without records**
- 6. Any IRS problems**



Fresh Start Tax offers a generous affiliate program for tax resolution programs

Questions?

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