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## **Subject: How to Handle Tax Notices**

The IRS acknowledges that it sends over 100 million tax notices every year to taxpayers, based on billions of information documents it receives annually.

Add to that the millions of tax notices sent by financially strapped state governments and unemployment agencies, and the result is that virtually every taxpayer will receive a tax notice at some point, with many receiving a handful of notices and information requests every year.

### **Action steps required to resolve a tax notice are as follows:**

- 1) **DON'T PANIC** – Most tax notices can be quickly resolved with information, not additional tax.
- 2) **CAREFULLY READ THE NOTICE** – Most tax notices are computer generated and you must carefully read the entire notice to understand its message. Look for the form # -- 941, WH-1, etc – the period – 2008, 3/31/10 (first quarter of 2010), April, 2010, etc – and the “explanation” noted.
- 3) **DON'T UNDERSTAND THE NOTICE?** – then call the phone # referenced on the notice and request an explanation. A tax notice may indicate that “a math error was made” when in fact they have no record of receiving your tax form. Tax notices are computer-generated to achieve taxpayer action (even if they invoke fear!), without regard to clarity. A call to the phone # listed on the tax notice often can clarify the real reason for the notice.
- 4) **SEND IT TO A PRO** – if you hired a CPA or payroll company to handle your tax issues, send them a copy of the notice for their review. Experienced tax pros are “trained readers” of tax notices and often can resolve them the same day you send a copy to them.
- 5) **BE A PROJECT MANAGER** – Tax Notices can escalate quickly as the computers aggressively send out second and third notices, if you do not manage the process. Dealing with the IRS or state government is not on a “level playing field”, so you must stay on top of tax notices – from day of receipt until the notice is resolved. If the notice lingers on, request that a “hold” be placed on your account until the issue is resolved.

- 6) DOCUMENT EVERY EVENT – Maintain a “diary” or “log” in chronological order of every person you speak to. Ask for their complete name, where they are physically located, and their phone #! Keep copies of every piece of written correspondence. Always end every conversation with an agreed on “next action step” and a timeframe.
- 7) REQUEST PENALTY WAIVER – Many penalties can be eliminated or reduced if you request a waiver based on “reasonable cause”. If your first request is denied, you can appeal and request a meeting with a “real person” – who has greater decision-making authority than the agent who denied your first request.
- 8) GET IT IN WRITING! – Once you have resolved the tax notice to your satisfaction, make sure you obtain a written “letter of resolution”. It is not uncommon for a previously “resolved” notice to again surface a year or more later. Your “project management” of a tax notice is not over until you get the “letter of resolution”.

AccuPay pays payroll taxes and files payroll tax returns for over 600 central Indiana clients. Our CPP's and CPA/advisors are “trained readers” of tax notices. Most tax notices can be resolved “same day”, although some must be “project managed” for up to a year.

**If you receive a payroll tax notice or payroll tax correspondence, call us at 885-7600, fax to us at 885-7591, or email the entire notice to us at [payroll@accupay.com](mailto:payroll@accupay.com). We will work hard to resolve every Tax Notice in a prompt manner.**

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.

