Stand Strong Against the IRS:

A Taxpayer's Guide

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Enrolled Agent
Certified Tax Representation Consultant
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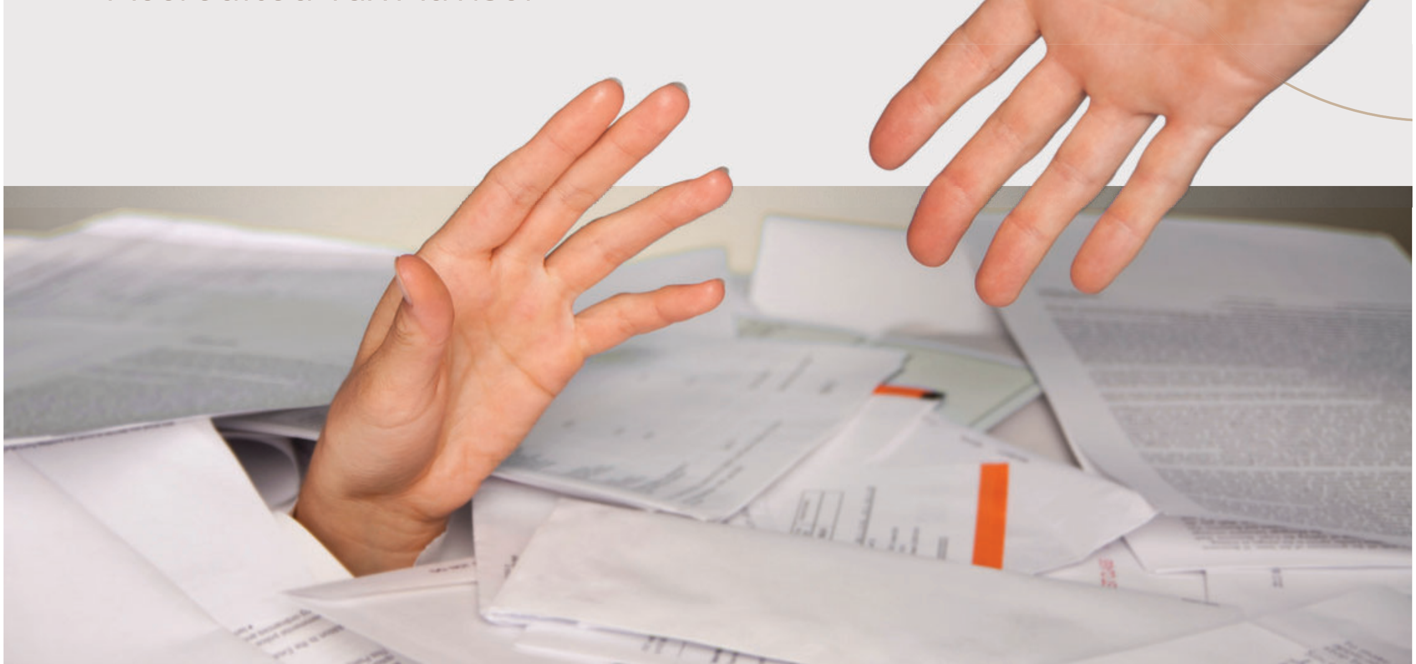

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By

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ACKNOWLEDGEMENT & DEDICATION

To my family, none of this would be possible.

To my life partner, Kenny, thank you for your constant, unwavering support.

Your presence has been a steady light, and I am grateful for every step we take together.

To my beloved daughter, Felecia Annette.

Thank you for your unwavering support and understanding as you grew into an incredible person by my side. For the many missed vacation trips and endless nights, I practiced being a good mom as well as the best tax professional that I could be

Your love and resilience have been a true gift, and I am endlessly grateful.

To my wonderful parents, Nancy and Roy Skiles.

I am forever grateful for the invaluable business principles you instilled in me that have guided me throughout my career and life. Your wisdom and encouragement laid the foundation for my journey.

To my Tax Rep Network family: thank you for your support and camaraderie. You have played a part in my growth, and your kindness will always be cherished.

To my Faith--I thank God for giving me the strength and knowledge to help others in their time of need.

REVIEWS

“Felecia is terrific with clients and understands the ins and outs of tax resolution. She is the consummate professional and someone I cannot recommend enough!”

Eric Green, Esq. Tax Attorney

“If you want a tax consultant who's as dynamic as a Disney dancer, explosive as a fireworks display engineer, and harmonious as a Nashville singer, look no further than Felcia Dixson. She's not just your run-of-the-mill tax expert – she's a powerhouse of talent and dedication. With her background in entertaining crowds and her commitment to serving veterans, Felecia brings a unique perspective to tax matters. Her expertise in military tax issues is unmatched, making her the go-to person for tax questions. Unsurprisingly, she's earned her spot as one of TaxBuzz's Top 100 professionals. Felecia Dixson is your undeniable choice when you need tax resolution with a touch of showbiz flair and a heart for those who served.”

Carlos Samaniego, EA, NTPI Fellow

“Felecia Dixson is a fellow national trainer with Tax Rep LLC. She has an amazing temperament when helping people resolve their tax issues. She cares and listens carefully to what the client has to say. She also crafts a plan to resolve the tax issue and informs her clients of progress. If you need tax representation - you can't do any better than Felecia.”

Patrick H. Wanzer, CPA, CTRC

“I have had the pleasure of working with Felecia through our mutual interest in tax representation, and she has consistently proven to be a fantastic professional. Her deep knowledge and years of experience in tax controversy make her an invaluable asset on any project. Felecia's thoroughness and attention to detail are unmatched, and I frequently reach out to her for a second opinion when I encounter complex issues. Her ability to navigate challenging tax situations and help clients achieve positive outcomes is a testament to her expertise and dedication."

Rayath Chowdhury, CPA

Table of Contents

Chapter 1:
Bad Things Happen to Good People Every Day.

"Our new Constitution is now established, everything seems to promise it will be durable; but, in this world, nothing is certain except death and taxes."

— Benjamin Franklin

The above statement is one of the most quoted ones in the United States of America and even in other countries the quote is popular. The concept of certainty of paying taxes was not new at the time, but Franklin's words made it immortal. The beauty of this quote is that it holds true to date and will, I believe, remain so for eternity.

You see, there really is not a legal loophole in the certainty that you must file and pay taxes or face the consequences in the form of fines, penalties, interest on the taxes owed and potentially even the loss of your driver's licence and passport. Not to mention the stress, anxiety and reputational risk that evading taxes (even unintentionally) will create.

Consider me, Felecia Dixson, your personal Certified Tax Representation Consultant. Throughout this book I will show you how to resolve your tax-related worries. And, if you are already entangled with the IRS, I can help make the IRS stop chasing you.

Now, let's be clear about the Internal Revenue Service: the core purpose of the IRS is to collect taxes in order to fund a significant portion of our country's budget. Given the great monetary stakes involved, let me assure you that they are very good at collecting what is owed, no matter what.

If you owe taxes, you will find the IRS standing right in front of you or behind you. Simply put, you will gradually be surrounded by them.

To be clear, you are not taxed until your wealth and income enter into your due tax bracket. Otherwise you will not find the IRS anywhere near you. Here's a simple equation to illustrate the point:

> Taxable Income + Wealth = Due tax must be paid
> No Taxable Income + Wealth = NO TAX to be paid

While at first glance you may think it would be great to be in a tax bracket where you pay no taxes, but this translates into no income! That's right, a non-taxed bracket means no money.

Yes, the IRS is in the business of collecting revenue and their revenue officers and agents are indeed smart. The bottom line? almost no one can escape from being taxed…at least until you are not living in the United States. The equation above signifies that you must have enough money to be taxed and that your taxes can never be more than your income and the overall wealth you possess.

> Now, the real question arises:
>
> "Why do people still fall into the bad tax financial hole when they are taxed only for the wealth they already have?"

From my experience representing hundreds of taxpayers as we navigate the IRS together, people struggling to pay their taxes are all good people and they generally have no intention of escaping from their liabilities and duties. They are all willing to go by the book, yet they find themselves falling deeper into the bad tax financial hole, even when they have enough resources to pay their bills (and then some). This is why I called this chapter, “Bad Things Happen to Good People Every Day.” On the bright side, I also know for a fact that “Good People Overcome Bad Things Every Day.”

And you are, I know, good people!

Overcoming bad things (such as unfiled and/or delinquent taxes) is all about making a proper, detailed plan, which I will explain in this book. After our journey on these pages together you, too will be able to take course-corrective action when it comes to your tax issues.

First, however, let's understand why the IRS has to come after you.

Under-Withholding

Employers are required to deduct taxes from your wages by law. However, it might not be widely known that if your wages have insufficient tax withheld over the course of the year, you, as the employee, might end up owing money to the IRS at the time of filing your tax return. This situation is referred to as “under-withholding.”[1]

This often occurs when an employee claims too many exemptions on their IRS Form W-4, which is filled out upon employment commencement. As a result, an inadequate amount of income tax is deducted from their earnings throughout the year.

Should you discover that too much tax has been withheld, it’s possible to adjust this by submitting a new W-4 form at any

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[1] https://www.investopedia.com/terms/u/underwithholding.asp

time. Doing so can ensure that any overpayment is refunded when you submit your annual income tax return.

Unreported Income

With the increase of individuals in the gig economy, people are now earning from various sources, which can make tracking income challenging. This situation can result in unexpected tax bills. Not reporting all income sources, particularly for freelancers or those with multiple income streams, can cause issues with taxes. Moreover, freelancers are required to cover the full 15.3% of Medicare and Social Security taxes, unlike traditional employees who share this cost with their employers.

Complexity of Tax Documentation

Not filing tax returns is a common yet highly problematic concern that leads to tax complications. Often, individuals avoid filing their taxes because they find the process daunting or overwhelming (Can you relate?)

In cases where filing involves intricate paperwork, such as tax returns with numerous forms and supporting documents, individuals may become overwhelmed by the complexity, and it can lead to delays as they struggle to gather and organize the necessary information. This is where a good tax professional is worth the money spent on accounting and tax services, so when tax season rolls around you already have everything in order and ready to file!

Financial Challenges

Financial difficulties can significantly impact your ability to meet filing deadlines. Businesses facing financial constraints may prioritize immediate operational needs over compliance tasks, resulting in delayed filings.

For many families, the budget is stretched so thin that there are insufficient funds to cover tax liabilities. Financial setbacks, unforeseen expenses, or changes in job circumstances can make it challenging to fulfill tax commitments.

In the case of small businesses and families with limited resources, they may face challenges in dedicating time and personnel to manage filing responsibilities. This can lead to unintentional delays, especially if there is a reliance on a single person for filing tasks.

Busy Schedules and Overlooked Deadlines

Tax obligations are sometimes neglected by individuals who are juggling busy schedules, with immediate concerns taking precedence over settling debts with the IRS. The pressures of work, family life, and other duties can lead to postponement or oversight of tax responsibilities.

Technological Challenges

In an era where many filings are done electronically, technological barriers can contribute to delinquency. This is particularly true for people in the advanced age group. Lack of access to reliable internet, computer issues, or unfamiliarity with digital filing systems can impede timely submissions. This is likely to become even more of a problem with the digitization of the IRS.

Errors Due to Confusion

Delinquency may also arise from miscommunication or misunderstanding of filing requirements. The complexity and constant updates of the tax code make it difficult, often leading to errors in tax filings. Misunderstandings about tax regulations, deductions, or credits can cause you to file incorrectly. Here, you can see the importance of seeking help from a tax professional for any questions or uncertainties about tax matters.

In a similar vein, people simply lack awareness. They may be unaware of filing requirements or deadlines. This lack of awareness can result from changes in regulations, updated procedures, or a failure to stay informed about evolving compliance obligations. Staying in contact with a tax professional can help you deal with this reason.

Procrastination

One of the most common reasons for being delinquent in filing is simple procrastination. Individuals or businesses may delay filing due to a lack of organization, time constraints, or a belief that the deadline is further away than it actually is.

Change in Personal Circumstances

If you are going through a major life change, such as a divorce, death in the family, or relocation, you may find it challenging to focus on administrative tasks like filing. These significant life events can disrupt regular routines and lead to unintentional filing delays. Businesses also face similar challenges when they are up against unforeseen challenges like a sudden decline in the customer base or a saturated market, among others.

As you can see, being delinquent in filing can result from a combination of personal, organizational, and circumstantial factors. Recognizing these reasons is crucial for implementing proactive strategies to address and prevent filing delays. Whether through better organization, increased awareness, or leveraging available resources, you can take steps to enhance your filing processes and maintain compliance with the IRS's regulatory obligations.

What if you don't pay your taxes?

Failing to make a tax payment can lead to the forfeiture of any expected refund. However, the repercussions extend far beyond if you have a tax debt as the following example illustrates.

Case Study: Thomas Abernathy

Thomas Abernathy is a 45-year-old software developer, and he found himself in a precarious financial situation because of multiple years of unfiled taxes. Despite a successful career, his financial literacy was limited, a gap that became glaringly evident as he faced the consequences of tax delinquency. Living in a suburban area with his spouse and two children, his life is typical of many middle-class Americans, juggling mortgage payments, education expenses, and the costs of daily living.

Financial Profile of Thomas Abernathy

- **Occupation:** Senior Software Developer
- **Annual Income:** $120,000
- **Family Status:** Married with two children
- **Living Situation:** Homeowner with a mortgage
- **Unfiled Tax Years:** 3 years
- **Estimated Unpaid Taxes:** $45,000

The path to Thomas's tax delinquency was not a result of deliberate evasion but a combination of factors that, over time, created a significant barrier to compliance. He is a good person, but bad things did happen to him.

Thomas's expertise in software development did not translate into financial savvy. His understanding of tax obligations, deductions, and the importance of timely filing was limited. This lack of knowledge led to procrastination and, ultimately, to the failure to file.

During the years in question, Thomas faced several personal challenges, including a serious illness in the family and the subsequent financial strain from medical bills. These events diverted his attention and resources away from tax obligations, contributing to his delinquency.

So far, does it sound familiar? Yes, I know if you picked up this book, it probably does!

So, as time passed, the fear of potential penalties, interest charges, and the complexity of resolving his tax situation became paralyzing for him. This fear, compounded by his lack of knowledge on how to address the issue, led to further inaction.

Recognizing the severity of his situation, Thomas sought professional help to resolve his tax delinquency. The pathway to resolution involved the following steps, with which we facilitated with him.

Step 1. The situational assessment.

The first step involved a detailed assessment of Thomas's financial situation, identifying all unfiled tax years and estimating the total tax liability. This phase included gathering all necessary documentation and filing the overdue returns, a process known as becoming compliant with the IRS.

Step 2. Selection of IRS resolution tactics.

Given the amount owed, Thomas was not in a position to pay the full sum immediately. We chose to negotiate an installment agreement with the IRS, allowing Thomas to pay his tax debt over time in manageable monthly payments. This agreement considered Thomas's current financial situation, ensuring that the payment plan was realistic and sustainable.

To reduce the financial burden, we also filed for a penalty abatement, citing reasonable cause due to the family medical crisis.

Step 3. Professional IRS representation.

By providing detailed documentation of the circumstances that led to his tax delinquency to the IRS on his behalf, Thomas was able to have some of the penalties reduced, decreasing his overall debt.

Thomas Abernathy's journey from tax delinquency to financial stability shows the complexities and emotional toll of tax issues. It also showcases the potential for IRS resolutions and recovery through informed actions and professional assistance. By engaging us to address his tax delinquency head-on and committing to financial education, Thomas was able to restore his fiscal health and set a course for a secure financial future.

You can see the importance of financial literacy, the benefits of seeking professional guidance in tax matters, and the IRS's willingness to work with taxpayers to resolve outstanding obligations. Tax problems can be daunting, but they are not undefeatable, and the path to IRS resolution is accessible with the right professional support and resources.

Case Study: Sarah Walter

Sarah Walter is the owner of a small business; it is a small digital marketing and web design business established five years ago. Her company has grown from a solo operation to employing ten full-time employees. The business serves a diverse clientele, offering services ranging from website development to digital marketing campaigns.

Business Profile

- **Business Name: Walter's Digi World**
- **Owner: Sarah Walter**
- **Industry: Digital Marketing and Web Design**
- **Location: San Francisco, California**
- **Number of Employees: 10**
- **Years in Operation: 5**
- **Annual Revenue: $600,000**
- **Unpaid Payroll Taxes Period: 2 years**

Sarah's failure to pay payroll taxes was not a result of willful neglect but stemmed from a series of misunderstandings and unforeseen challenges.

Sarah experienced rapid growth, which brought about significant cash flow management challenges. She, focusing on expanding her business, inadvertently overlooked the importance of setting aside sufficient funds for payroll taxes. With a background in web design and digital marketing, Sarah possessed limited knowledge of financial management and tax compliance, which led to the mismanagement of funds allocated for payroll taxes.

Sarah's business encountered unexpected expenses, including the urgent need for new equipment and software upgrades. These expenses consumed a large portion of the operating budget, leaving insufficient funds for payroll taxes.Sarah had outsourced her payroll and accounting functions to a third-party service provider. Unfortunately, miscommunications regarding the scope of services led to the assumption that the provider was handling payroll tax payments, which was not the case.

Upon recognizing the severity of her situation, Sarah took proactive steps to address and resolve the unpaid payroll taxes. The resolution process involved several strategic actions.

When Sarah got in touch with us, we followed the same three-step process as we did with Thomas, tailored to her unique situation and needs.

We conducted a thorough review of her financial records, determined the total amount of unpaid payroll taxes, and developed a plan for resolution.

Our office also initiated contact with the IRS to explain the situation and express Sarah's intent to resolve the unpaid taxes. Open and honest communication was key to establishing trust and cooperation with the IRS.

Given the amount owed, paying the full sum immediately was not possible for Sarah. We negotiated an installment agreement with the IRS, allowing the business to pay back the owed taxes over an agreed-upon period. This plan was designed to be realistic, considering the company's monthly cash flow and operational expenses.

Recognizing that Sarah's failure to pay payroll taxes was not due to willful neglect, we filed for a penalty abatement, citing reasonable cause based on the miscommunication with Sarah's previous accounting service and unexpected business expenses. This request aimed to reduce the overall financial burden by eliminating some of the penalties accrued.

To prevent future payroll tax issues, we helped Sarah implement proven financial management practices. We asked her to **c**onduct monthly reviews of the business's financial status, including cash flow, expenses, and tax obligations.

Just like Sarah, a number of small business owners face challenges in managing payroll taxes and end up with unpaid payroll taxes. Through proactive steps, honest communication with the IRS, and the implementation of sound financial management practices, Sarah resolved her unpaid payroll taxes and set her business on a path to financial stability.

A Pervasive Pain Point: Payroll Tax Problems

Since we are talking about unpaid payroll taxes here, let me share some other important details about payroll tax issues as they are pervasive among businesses, especially small businesses.

Payroll taxes consist of funds deducted from employees' salaries to support Medicare and Social Security programs. These are also known as FICA taxes, an acronym for the Federal Insurance Contributions Act, which established these contributions.

The discrepancy between taxes owed and those actually paid to the IRS is referred to as the tax gap. A portion of this gap includes employment taxes not paid by some business owners who fell behind. However, there are instances where the shortfall is a result of deliberate deceit. To combat employment tax fraud, the Tax Division of the Department of Justice collaborates closely with the IRS and U.S. Attorneys, seeking financial penalties, legal injunctions, and criminal charges against offenders.

You are not alone! Bad tax problems happen to good people!

Do the people in these case studies sound familiar? They are good people,to whom bad tax problems happened. There are many more people like them who are stuck in this bad tax financial hole. If you are one of them, I want to assure you it is not forever. This is provided that they are ready to come out of it, just like Thomas and Sarah. Rest assured that help is always available and is just a phone call away.

Remember that no institution, and certainly not the IRS, has been founded at random. It takes years of research and planning and a period of trial and error to establish an institution. Yes, it is planning at the core that always works. And that's what tax professionals do at their best. You need to realize that engaging a professional is not a choice but a dire need of yours today in order to come out of the bad tax financial hole and stay out of it for the rest of your life. Once you are working with a professional, you will find IRS resolutions that can help you eliminate these issues once and for all (as long as you also do your part!).

Don't delay your freedom from IRS problems…it's time to take action!

As I discussed above, a delay in seeking professional help can have dire consequences on your financial and emotional health.

Delinquency in tax filing will trap you in a cycle of increasing debt, growing tax liabilities, and mounting legal challenges. It's a nightmare that many find themselves in when financial hardships spiral out of control.

The fear of drowning in debt, facing the IRS, and fighting legal battles is real, and the longer you wait, the more dire the situation becomes.

When you are facing tax problems, professional help is not a luxury but a necessity for your financial recovery and further stability. Taking this step will mitigate the adverse effects of current as well as future financial challenges.

For those people who choose to try to handle issues alone, they enter the confusing world of taxes, and usually end up with more fines, penalties, and really frightening legal issues.

The tax rules are always changing, and tax experts such as myself are the ones who work hard to stay updated with these changes so that they can keep you safe from tax and financial nightmares. It's not just about following the law; it's crucial for keeping your money healthy. Not following the rules can have grave consequences, and that's something you definitely want to avoid.

The longer you wait, the worse your problems get.

Tax professionals aren't just there to fix immediate problems; we are guides who also help you plan for the future, avoiding unpleasant surprises and making the most of the available opportunities in the always-changing world of finances. Take the key I am offering you, the key to your financial freedom and stability. Don't let fear stop you; let it be the reason you take a step toward a better, safer future.

Now is the right time to call a tax professional if you want to move ahead in your life with absolute peace of mind.

Seeking professional help is not a show of weakness but rather of wisdom and forethought. I am here to provide you with optimal financial outcomes and empower you to move forward to a future of informed decisions and lasting financial stability.

Ready to connect now? Use the QR Code below or call me! Then read on to start learning about some of the specific tax issues you may be facing, how to avoid them, and how a professional tax resolution relationship with a certified expert has been life-changing for people just like you!