

# Tax Secrets **Revealed**

*100 Ways to Beat the IRS*

*By: The IRS's Most Wanted Man, Richard "The IRS Hitman" Close*

Former IRS Agent Breaks the Code of Silence and Helps Thousands of  
Taxpayers Save Millions of Dollars

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**Attention Taxpayers: Do you owe the IRS in back taxes? Are you losing sleep at night? Well now you have the power to settle that debt once and for all. Call today and learn how you can settle your debt for just Pennies on the Dollar!**



**Hi,** I'm Richard Close. I'm a former IRS Revenue Officer and Syndicated Columnist and Lecturer. If you owe the IRS, I'm sure you've seen or heard something like that before. But what does it really mean? You've probably got tons of questions running through your head, and you just can't get them answered: **I'm here to reveal the secrets that the IRS doesn't want you to know.**

**Is this a real program?**

**What are my chances of getting my debt settled for "Pennies on the Dollar?"**

**How do you know if it really works?**

In today's business world, there are thousands of companies and they're all ultimately trying to do one thing: get your money! It's sad to say, but sometimes these underhanded "tax relief" companies can be worse than the IRS! So how can you know the truth? That's exactly why I'm writing this e-book...to give you the truth.

I worked for the IRS for 7 years, and I know exactly how the system works. My father before me worked with the organization for over 30 years, and at one point served as the Head of Collections for the entire state of Oklahoma. I've written over 100,000 words on tax code and regulation and my articles have been published all over the Internet.

So, what is this "Pennies on the Dollar" thing, and how does it work? Well let's start with answering what it is, and how it works.

The program that these companies are talking about is called the Offer in Compromise Program. Yes, it is a real program, and yes you *can* settle your debt for a fraction of what you owe; or as they say "Pennies on the Dollar." In some situations, the IRS will accept a smaller amount than the taxes owed. But it's not just as simple as calling the IRS and telling them you only going to give them \$4000 dollars on a \$35,000 dollar debt. It's a little more complicated than that.

In this e-book, we're going to talk about how the program works, the chances of getting accepted, the conditions of the program, other programs that may work for you if the OIC doesn't, and finally how to make sure you're working with a reputable tax resolution company or firm.

# 1

## Section One

### The Numbers

**First** thing's first, let's talk about the formula. When the IRS determines whether or not you qualify for the Offer in Compromise or OIC Program, they take two things into account; your equity and assets, and your Monthly Disposable Income (MDI).

Let's talk about equity and assets for a second. Basically anything that is in your name is considered equity and assets. This includes houses, cars, 401Ks, IRAs, boats, and property. Any of these are fair game to the IRS when it comes to things like liens, levies, and even seizures.

The next thing is MDI, or Monthly Disposable Income. This is the money you have left over each month after paying the bills. But remember, when the IRS says "bills" they only consider basic necessities. This means things like Credit Card payments are out the window.

For instance, if you don't have any money left over at the end of the month, but you're paying \$300 dollars a month on a Credit Card...in the eyes of the IRS, you can pay them at least \$300 dollars a month. The IRS takes your MDI and they multiply it by 48 months (or 4 years).

So, now that we know what factors are in the formula, let's put an example together. Remember, the goal in an OIC is to paying less than you owe. So let's pretend that you've got a tax debt of around \$50,000 dollars. You only have about \$100 dollars a month left after paying your bills. You don't own anything in your name except for your car which isn't in very good shape. Let's say its worth about \$2000 dollars.

**Now let's plug the numbers into the formula:**

<u>Equity and Assets</u>	+	<u>Monthly Disposable Income (x48)</u>	=	<u>Your Offer</u>
\$2000 Dollars		(100 x 48) \$4800 dollars		\$6800 dollars

So, if you owed \$50,000 dollars and your formula looked like this, you'd be a pretty darn good OIC candidate. If this were the case, this would show that the IRS that over the next four years, the most you would ever be able to pay them is \$6800 dollars. The IRS is certainly ruthless, but they aren't stupid. If they *know* someone can't pay the money, they aren't going to keep chasing them.

Now let's try another example. Let's say that you owe the IRS \$50,000 dollars, only this time the numbers are going to be a little different. Let's say you've got a home that's got about \$30,000 dollars worth of equity in it. You've only got about \$100 dollars left after bills each month, but you pay about \$300 dollars on Credit Cards.

Plus, we'll say that you've got two kids in Private school and it's about \$400 dollars per month (which is actually giving private school tuition a little wiggle room). Now remember that the IRS doesn't consider things like Credit Cards of Private school as "necessities" Let's see what the formula says:

<u>Equity and Assets</u>	+	<u>Monthly Disposable Income (x48)</u>	=	<u>Your Offer</u>
\$30,000 Dollars		(700x 48) \$33,600 dollars		<b>\$66,000 dollars!</b>

Now, your offer is \$66,000 dollars! If this is what your formula looks like, then the Offer in Compromise Program is **NOT** for you!

Because here's the one thing that these "Pennies on the Dollar" companies aren't telling you: If you submit an Offer in Compromise and you get

rejected...the IRS now has access to where you work, your bank account, etc. And now they can make your hurt!

At the end of the e-book, I've put in a formula sheet so that you can put in your own numbers and find out whether or not the Offer in Compromise Program is right for you.

So what are the chances of having an Offer in Compromise accepted? Well, statistically speaking, *less than 17%* of submitted Offer in Compromise cases are actually accepted. That means that **83% are rejected** each year! Now, those numbers are mostly due to the fact that these Pennies on the Dollar companies are submitting cases that they *know* are going to be rejected, just so they can get people's money.

There are tons of things these companies won't tell you when you retain their services. Of course they aren't going to tell you the things I've just told you, because they want to take your money. They also aren't going to tell you that less than 1% of the population actually resolves their IRS debt through the Offer in Compromise program.

But that's because these companies are not telling the taxpayer about what they are getting into. They'll tell you everything that you want to hear to get your money. And the only thing they aren't going to tell you is...the truth.

It's interesting to look at this from my angle. Being an ex-IRS revenue officer, I know that the biggest advantage the IRS has over the American Taxpayer is education. The average citizen has no real idea how taxes work and how the system works. The United States has the most convoluted, hard-to-understand tax systems in the world. I'll be perfectly honest with you; even the *commissioner* doesn't know *everything* about tax code.

So how do they expect you to know? They don't. That's exactly the point. The less you know about how the programs work the better for the IRS. And I must say that it's a sad thing to see all of these "tax relief" companies out there that are being just as negligent about education as the IRS!

But now that we've talked about the formula for the program, and the statistics, let's move forward and look at the **conditions of the program:**

# 2

## Section Two

**What you're getting Into**

**Just** about every program or service in the United States has some type of rules or regulations. The IRS is certainly no different. They've never been the type of organization to "let things slide." And the Offer in Compromise is a big misconception of that outlook.

Taxpayers think "Oh good, I can squeak by and only have to pay them \$5,000 dollars instead of \$20,000 dollars." But it's extremely important to remember that this is not the case. The IRS *hates* settling debt. I'll be perfectly honest with you, if they have the ability to take something from you, they'll do it in a heart beat. They are not designed to be nice; they are designed to collect money.

That being said, the Offer in Compromise Program has rigorous rules and stipulations. If you're preparing to submit an Offer in Compromise, then there are some things that you should know about the program:

1. The settlement amount ***must be paid*** within ***5 months*** of the acceptance.
2. While the Offer is submitted the **Statute of Limitations** is in a hold status.
3. You go into a **5 year long agreement** if the Offer is accepted

### **Paid within 5 months?**

Like I said before; the IRS wants money and they want it as soon as they can get it. So if they accept your offer, they want to make sure that you're going to pay it very soon. This can be a good or a bad thing for you. Unfortunately, with these "Pennies on the Dollar" companies, they won't tell you about this and you can't prepare for it. But let's see just how much you would be saving if you did it this way:

Let's say you owed the IRS \$50,000 and they accepted your offer of \$5,000 dollars. Usually, they're going to require some form of down payment (no more than 20%). So you'd have to give them at maximum \$1,000 dollars down. Then, you would have five months to pay off the rest, which would come to a total of about \$800 dollars a month.

But once you finished that, you'd be done. You'd have no more tax debt. But let's look at it a different way. Let's say that your offer wasn't accepted and that you had to pay off the debt in the next 5 years. Instead of paying \$800 dollars a month for 5 months, you'd be paying \$833 dollars for 60 months!

So the payment may sound a bit scary, and it may not be easy, but it's certainly better than paying what you really owe...a lot better!

### **Statute of Limitations?**

Most taxpayers don't even know what the Statute of Limitations is. But remember, education is the one thing the IRS *doesn't* want you to have. So first we'll look at what the Statute of Limitations is, and then we'll see how it affects an Offer in Compromise.

Simply put, the Statute of Limitations is the time the IRS has to collect on the debt. In the United States, when it comes to Federal back taxes, the Statute of Limitations for collections is 10 years. That means the IRS has 10 years to collect the debt from you, in any way they see fit.

So what does this have to do with an Offer in Compromise? Well, as you read above, when you submit an Offer in Compromise the Statute of Limitations is put on hold. If you have good confidence that you'll be accepted, then this probably

doesn't concern you. But if you have doubt about being accepted, then pay attention here.

Let's say you submit an Offer in Compromise and it takes the IRS one year to answer you. Now let's say they reject you; you've just wasted an entire year because the limitations were on hold. So technically now the IRS has had 11 years to collect on you instead of ten. So before you submit the Offer in Compromise, make sure you're going to get accepted or you could end up wasting time.

### **5 Year Agreement?**

If you owe taxes, you're not a very dependable person in the eyes of the IRS. Keep in mind; they don't take circumstance into account. Each American Citizen is nothing more than a number with money to take. So they want to make sure that you don't fall behind again, and that you suffer greatly if you do.

If an Offer in Compromise is accepted, you must go into agreement that the settlement amount will be paid, and that you will file on time every year for five years. You also agree that if you file and you owe, you will pay the amount on time.

If you fail to abide by this agreement, then your original debt is reinstated and you're back to square one. To be honest, if that happens you're probably worse off than you were before. But the thing about the agreement is that if you make good on it, you'll be able to end the debt once and for all.

These are the real facts and stipulations behind an Offer in Compromise Program. It may not be fair, and it definitely won't be easy, but if you can bite the

bullet and follow the rules, you can settle your debt for much more than you actually owe. To learn more about the Offer in Compromise Program visit

<http://www.irs-offer-in-compromise-hq.com>.

# 3

## Section Three

Other Options

**If** you've read this far, you may be thinking that the Offer in Compromise program may not be the best option for you. Maybe you make "too much" money or maybe you just don't think you'll be able to stick with the agreement. Whatever the reason, I understand, which is why I'm going to give you information on some of the other programs available.

**Here are just a few of the programs that we'll talk about in this section:**

- Installment Agreement
- Currently Not Collectible
- Penalty Abatement

### **Installment Agreement**

An installment agreement is just about what it sounds like. You offer to pay the IRS in installments rather than with lump sums (or worse, with your car, house, or bank account.) This is a good thing for both you and the IRS, as long as you keep making your payment.

The great thing about the Installment Agreement is that as long as you keep making your payments, you can ride out the Statute of Limitations. Remember that after 10 years they can't collect on the debt any more.

So you could pay them 100 dollars a month for 120 months and only end up paying \$12,000 dollars. That may seem like a ton of money, but not if you offer \$50,000 dollars!

The bad news about the Installment is that the IRS decides how much you can pay. That's based on a full financial disclosure that shows the IRS exactly what you're paying, and how much you're paying.

Remember we talked about necessities before? So keep in mind that when the IRS looks at your finances, they don't consider Credit Card bills or other luxuries as something you *have* to be paying. They're going to take your MDI (Monthly Disposable Income) and they'll take it until the debt is paid or the Statute of Limitations runs out (whichever comes first).

Another thing about the Installment Agreement is "defaulting" or missing a payment. The IRS doesn't like it when someone in an Installment Agreement missed their payment. And to be truthful; they'll make you suffer for it. If you default in an Installment Agreement, any kind of good terms that you may have been on with the IRS go right out the window.

Now they can levy your bank account, put a lien on your credit, or even garnish your wages. So if you enter into an Installment Agreement, make sure you can pay them.

One thing that most taxpayers don't know is that many times, full financial disclosure is not always *required*. In fact, if you have a reliable and experienced tax resolution firm working with you, they have been cases where full financial disclosure is not a requirement.

This means, if you think you can only pay the IRS \$100 dollars a month, then that's all you pay. When I worked at the IRS, taxpayers would call me up all the time requesting that they pay a certain amount. Since they didn't know their rights, I could take advantage of them and tell them I needed a full report of their finances.

Just like any other program that the IRS offers, you have to qualify. Usually, most taxpayers can qualify for the program. This is an effective and inexpensive way of paying your debt. To learn more about Installment Agreements, or any of the other programs I've listed, visit [www.taxdefensenetwork.com](http://www.taxdefensenetwork.com)

### **Currently Not Collectible**

Another form of relief is being put into a "Currently Not Collectible" status. This basically tells the IRS that you have no way of giving them any money in your current financial situation. It's almost like declaring bankruptcy with the IRS, but the circumstances are a little different.

If you can prove to the IRS that paying them would put you in a financial strain, you can qualify for the status. While in Currently Not Collectible, the IRS can not impose any collection actions on you, nor do they expect any money from you. But be careful, this isn't a "Get out of debt free card."

The IRS views this as a way to get your finances together, so that when the time comes to reanalyze your finances, you can give them money for the back taxes that you owe. If paying the debt would truly hurt your way of life, you can apply and be placed into this status. But remember, the IRS reviews your finances every few months so make sure you're ready to face them. If you want to learn more about Currently Not Collectible, visit <http://www.irs-tax-levy-hq.com/solutions.php>

### **Penalty Abatement**

If you're like most taxpayers, most of your debt probably isn't just natural debt. What I mean by that is; most of the debt is from penalties such as "Failure to File" and "Failure to Pay." And sometimes, certain things can keep us from filing or paying, that the IRS doesn't know about.

Like I said, the IRS doesn't really care about your certain situations but by law, if you can prove to them that you didn't pay or file because of circumstances beyond your control, they have to reduce some of the penalties. For instance, if you were hospitalized, or a family member died, you can qualify for penalty

abatement.

In some cases, the IRS has been known to reduce up to 30% of the debt because it was proven to them that the taxpayer could not file or pay due to extenuating circumstances. But don't expect it to be 100% guaranteed. You're probably going to want to speak with a tax professional to see if Penalty Abatement is the right thing for you.

# 4

## **Section Four**

Tax Resolution

\*Tax Companies Beware!\*

\*The Truth Will Expose the Liars and Cheats!\*

**So** you've made your decision on what you think the best option is for your tax situation. You know you're going to need a tax professional, but you aren't sure who to trust. With so many companies promising so many things, you don't know who's a good company and who isn't.

I've written several articles warning taxpayers what to look out for when it comes to tax resolution companies. Take a look at some of these so you don't end up losing your shirt to a phony tax help company:

- Credit Card Information Over the Phone
- Retainer Fees
- Hidden Fees
- No Refund Policy
- Pennies on the Dollar

### **Credit Card Information**

✓ *Don't give your credit card number or bank information over the phone unless you know the company. One easy way for a scam operator to close a deal is to get your*

*credit card number and charge your account. Sometimes fraudulent telemarketers say they need the number for verification purposes only. Don't believe them. – Federal Trade Commission (FTC)*

This may sound like a basic warning, but you have to remember how convincing these salespeople can be. The FTC advises against consumers giving out their credit card or banking information over the phone. And it's a good warning because that's a high pressure sales tactic. If you ask me, I'd say that if anyone asks you for the information, you should just hang up the phone.

### **Retainer Fees**

This tactic is probably the most common behind Credit Card information over the phone. A company will tell you that they need a "retainer fee" to retain their services. They'll tell you that this is a down payment on the service and that they will charge you as they work.

But the thing they won't tell you is that this means you've agreed to an unlimited amount of fees. This gives them permission to change the price whenever they want to, however they want to. So they may tell you that the price of the service is only \$1500 dollars. But then a few months go by and they charge you another \$1500. And so on and so forth.

Before you know it, you've paid more to the tax help company than you've paid the IRS! And in most cases, the case has made little progress. So if you ever hear the words "retainer" or "retainer fee," make sure to be aware of what that

means. Look for a company that has a flat cost that won't change no matter how long or hard the case is.

### **Hidden Fees**

This is another common ploy among tax resolution companies. They'll hide fees in the service agreement and they'll do it a number of ways. A common way is charging more if the payment is broken down. For instance if the fee for the service is \$2000 dollars but you can't pay it all up front; they may break it down over 5 months but they'll charge you \$415 dollars a month!

Another thing these companies will do is quote you one price over the phone, but then when you receive the paperwork it will be a higher cost. This is an example of the old "bait and switch." These fees are usually under words like "convenience fee." So look out for hidden fees and make sure you aren't getting scammed!

### **No Refund Policy**

Some companies don't have refund policies. This is a huge red flag because let's face it if a company isn't prepared to refund you, how confident can they be in their own service. The way I see it, if a company isn't prepared to provide a refund policy, they've obviously had issues in the past where people wanted a refund due to unsatisfactory service.

Something else to keep in mind is the right to 3-day rescission. Most companies won't tell you this because they are afraid you will drop the service if you realize it isn't working. But by federal law, you have 3 business days to cancel any contractual agreements that are made.

### **Pennies on the Dollar**

It all comes back to this "Pennies on the Dollar" nonsense. The IRS actually gives a person warning:

*IR-2004-130, October 25, 2004*

*WASHINGTON — The Internal Revenue Service today issued a consumer alert advising taxpayers to beware of promoters' claims that tax debts can be settled for "pennies on the dollar" through the Offer in Compromise Program.*

Even the IRS wouldn't scam people *this* bad. In fact, one of these companies in particular is currently being sued by 18 different State's Attorney Generals and is being forced to change the way they advertise.

Honestly, the best way to reference a tax resolution company/firm is to reference them elsewhere. For instance, you can check them out with the Better Business Bureau, Dun and Bradstreet, of the State's Attorney General.

I hope you've learned something from this e-book. Hopefully now you have a better understanding about what an Offer in Compromise is, how it works, and how to avoid getting ripped off by shady companies. As promised I've added a formula sheet at the end of the e-book, as well as a list of links that I find to be very helpful (including a link to my personal blog).

Thanks for Reading

## **Links**

**My Blog:** [www.irs-hitman.com](http://www.irs-hitman.com)

**Reputable Tax Resolution** – [www.taxdefensenetwork.com](http://www.taxdefensenetwork.com)

**Levy Help** – [www.irs-tax-levy-hq.com](http://www.irs-tax-levy-hq.com)

**Settlement Help** – [www.irs-tax-settlement-hq.com](http://www.irs-tax-settlement-hq.com)

**Offer in Compromise Help** – [www.irs-offer-in-compromise-hq.com](http://www.irs-offer-in-compromise-hq.com)

**Where else can you read my articles?** [www.ezinearticles.com](http://www.ezinearticles.com) – Just search Richard Close.

**General Tax Info** – [www.irs.gov](http://www.irs.gov)

### **Featured Articles**

[Deciding on a IRS Tax Resolution Company - The Good, Bad and the Ugly](#)

[IRS Debt Resolution - Don't Get Hit by a Phony Tax Company!](#)

[IRS Tax Resolution Companies - Watch Out For Hidden Fees!](#)

[IRS Tax Help - Do You Qualify For Penalty Abatement?](#)

[Resolving Your IRS Tax Debt - Know What Options You Have](#)

[Solving Your IRS Debt - How To Find The Right Tax Relief](#)

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**Do you qualify for an Offer in Compromise?**

**A: Monthly Bills:** This includes rent, basic food, basic clothes, gas, electricity, etc. This *does not* include Credit Cards, Private School Tuition, Second Car payments (unless you can prove the second car is used for a business, or anything that the IRS may consider non-essential.

A: \_\_\_\_\_ ←-----Put that number here.

B: \_\_\_\_\_ ←----- **Multiply it by 48** and put that number here.

**C: Equity and Assets:** This includes *anything* that is in your name that holds substantial value; a home, cars, boats, property, 401ks, IRAs, etc.

C: \_\_\_\_\_ ←-----Put that number here.

B: \_\_\_\_\_ + C: \_\_\_\_\_ = \_\_\_\_\_ **Your Offer**

*\*Remember, if your offer is more than your debt...the Offer in Compromise Program is **not** for you.*

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