

# RONI LYNN DEUTCH



A PROFESSIONAL TAX CORPORATION

4815 WATT AVE.  
NORTH HIGHLANDS, CA 95660

Telephone (800) 304.7267  
Facsimile (800) 340.1084  
WWW.RONIDEUTCH.COM

January 11, 2008

Roni L. Deutch Δ†  
Shawn J. Ervin  
Matthew S. Ritchie  
Justin D. Hein §  
Bret K. Adams

Ryan T. Carrere  
Christian A. Montgomery  
John A. Wetenkamp  
Jane Stecklein  
Sean Chi

Attorneys may practice before IRS in all 50 states  
Δ Licensed to practice in US tax court  
† LL.M. Degree in Taxation  
§ Licensed to practice in California and Wisconsin

Secretary Henry M. Paulson, Jr.  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, D.C. 20220

RE: Internal Revenue Service

Dear Secretary Paulson:

I am writing you today to provide you with a list of **8 New Year's Resolutions in 2008** concerning the IRS. My "resolutions" are in fact recommendations for how you can improve the services the IRS provides to the hundreds of thousands of taxpayers who owe the IRS back taxes.

As you may know, I possess a unique but relevant perspective concerning those individuals with an IRS tax debt. My law firm – Roni Lynn Deutch, A Professional Tax Corporation – represent or represented thousands of these taxpayers and helped many resolve their IRS back tax liability. In order to successfully resolve these cases, my firm and I educated and convinced many of these taxpayers to "return to the system". By "return to the system" I mean come into compliance with all IRS requirements, rules, and regulations. For example, my firm and I educated our clients on claiming the correct number of exemptions and withholding the correct amount of federal taxes. Or we instructed our clients to make monthly payroll deposits and estimated tax payments. We also continually remind them to timely file quarterly and annual returns, and pay all taxes owed on future returns. As you and I know, you cannot resolve a tax debt without coming into compliance. However, many of my clients did not know this basic requirement – until hiring my office.

Given my experience and perspective as a representative, I am confident I can provide you and the IRS with valuable advice on how the IRS can better service "my clients" as well as the thousands of other taxpayers with IRS back tax debt. My advice really centers on the IRS just providing "more" – as in more information, more methods of resolution, more flexibility, more innovation, and more communication. You and I know the IRS will need to do "more" if it is serious about addressing the growing tax gap and the growing number of individuals exiting the system. Reviewing and implementing some of my recommendations could go a long way towards addressing those persistent quandaries.

So, here is my list of **8 New Year's Resolutions in 2008** concerning the IRS:

## 1. Lump Sum Payment Discounts

The IRS should offer percentage discounts on the taxpayer's total IRS tax debt if the taxpayer pays a large amount of it in a single payment. The single payment, often called a lump sum payment, is what the IRS always seeks from individuals when they attempt to resolve a back tax liability.

Currently, the only inducement the IRS can offer is an extension of time to make a full payment. In addition, the IRS should begin to offer a discount on the total amount owed given the making of any large payment – even if it is not in full. The discount could be as big as 10% of the total tax debt owed if the individual commits to full payment by a certain date. Currently, the IRS does not offer any type of across the board discount in the balance owed.

## 2. Accelerated Payment Plan for Release of a Federal Tax Lien

The IRS should offer to release a Federal Tax Lien and/or waive penalties and interest if a taxpayer commits to paying off an IRS tax debt within 36 monthly payments (i.e. 3 years). This can be done through an accelerated version of your Streamlined Installment Agreement.

Given the current housing crisis, many individuals and families may have to sell their homes for a loss or a slight gain. This slight gain might be wiped away if the individual has an outstanding IRS tax debt for which the IRS filed a federal tax lien. This may lead to individuals staying in a home they cannot afford, as its value continues to decline.

Similarly, the IRS needs to offer a reasonable method to resolve a tax debt without having to weather the onslaught of continuous interest and penalties. Currently, installment agreements are that reasonable method, however they are subject to interest and penalties. As you may know the growing interest and penalties oftentimes negates the gradual payments, leaving the taxpayer with an unchanged amount due.

However, by providing individuals with the option of entering an accelerated payment plan, you are providing them with a reasonable form of resolution and needed flexibility. They can get out of a bad housing situation and avoid the downward spiral of interest and penalties while committing to aggressively resolving their IRS liability. Also, by using the rules of the Streamlined Installment Agreement, you would permit them to make the commitment without having to disclose confidential financial information.

## 3. "Reminder to Save" Letter to Those Who Owed Taxes the Previous Year

For all individuals who filed a tax return the previous year with a balance owing, the IRS should send a letter on or around January 15 that reminds them to start saving. This "Reminder to Save" letter would not only remind them to start saving

for an impending balance due, but that they need to start thinking about getting their taxes prepared and filed.

The IRS spends millions of dollars printing notices and levies. However, no money is spent to preemptively avoid unpaid balances. By targeting those individuals who owed taxes at the time of filing from the previous year, you would be intelligently targeting those individuals most likely to owe and not pay in latter years.

#### **4. Publicize Current Compliance Years and Collection Statute Expiration Dates**

Every year, the IRS should announce through press release and television commercials what past tax year it is no longer interested in having filed and what tax years' collection statute expiration date (CSED) have likely passed. As you know, for compliance purposes, the IRS typically only requires the last seven (7) tax returns to be filed and paid in full to be considered in compliance. In addition, the IRS only has ten (10) years to collect on an assessed tax debt.

Many of my former clients are individuals who simply want to return to compliance. However, many of those individuals failed to file a return 8-10 years ago or failed to pay a tax debt 10-12 years ago, and are afraid of returning to the tax system because of these events. Had they known that the IRS was no longer interested in seeing a tax year 2000 return filed, they might file their missing 2001 to 2006 returns. Or, if they knew that legally, it was unlikely the IRS could collect on a tax debt that assessed in 1996 or earlier, they might quickly return to compliance and the tax system, instead of continuing to live in the shadows.

#### **5. Past Commitment to Compliance Makes You Eligible for Tax Debt Waiver**

The IRS should reward those individuals who are in compliance with IRS regulations even in the face of an IRS tax debt. To do that, they should waive the balance owing on any return filed for any individual who timely filed and paid his or her return the previous five (5) years. The waiver could apply only to those individuals owing a maximum set amount (i.e. \$2,500.00) or less.

As you know, the IRS has little to no interest in collecting from individuals owing less than \$5,000.00. That is why many of these collection accounts have been outsourced to third party collection agencies. Instead of authorizing the aggressive tactics of unregulated debt collectors on those individuals – who are the least threatening group of delinquent taxpayers – why not honorably recognize the majority of them for their past contributions through use of a waiver? If anything, it does a lot to improve the public perception of the IRS and could eliminate an incentive for many of these individuals to abandon the tax system.

Alternatively, the IRS could provide the equivalent as a deduction for all individuals who timely filed and paid his or her return the previous five years. This would award not only those who owed, but all individuals, and alter its

original “Get Out of Jail” card nature. In either form, it would be a justly deserved reward for being a compliant taxpayer.

**6. Double the Amount of a Tax Refund if Applied to an IRS Back Tax Debt**

This “New Year’s Resolution” addresses the chronic, delinquent taxpayer. Right now, when someone makes the necessary changes to his or her financial situation to accrue a refund for taxes paid throughout the year, he or she is not rewarded. Worse yet, if that individual started the year with an IRS tax debt, the IRS may keep the entire refund on the year they made a successful transition into compliance.

If the IRS doubled any refund it was retaining to apply to an IRS tax liability, the IRS is rewarding and encouraging preferred tax planning behavior. The IRS is recognizing those who came back into compliance, through either estimated tax payments or proper withholdings, and accrued a refund after previously incurring a tax debt. Furthermore, the IRS is motivating these individuals to continue the behavior by reducing their tax debt at an accelerated clip solely because of the refund.

**7. Stop Levying Social Security for Individuals over the Age of 75**

This would seem like a no-brainer. However, day-after-day my law firm gets calls from elderly men and women whose sole source of income – Social Security – is being levied by the IRS. The IRS should immediately cease this practice.

Many of these individuals are widows or widowers. Many may not be aware of the tax debts incurred by their deceased spouses or spouse’s business ventures. Many of the individuals were supported by the deceased spouse’s other source of income, and are now paying for expenses solely through their Social Security checks. The IRS collection efforts just add to this burden.

The IRS currently stores the date of birth for all individual taxpayers, and thus could easily determine those individuals over the age of 75. They could easily crosscheck for these individuals before levying Social Security income. Instead, the IRS would send an advisory letter informing these individuals that they have an IRS tax debt and that future refunds will apply to the debt. Beyond that, any other action taken on the tax debt would be voluntarily done by the individual taxpayer.

**8. Create Online IRS Tax Debt Accounts**

The IRS needs to provide individuals the ability to check their IRS tax debt accounts online. Specifically, the IRS needs to provide individuals with the ability to verify that payments have been received and applied to their tax debt.

Many of my former clients retained my firm's services solely because their payments on their back tax liability were misapplied or lost. Many times, voluntary payments were cashed by the IRS, but never applied. As you can imagine, this leaves many taxpayers disillusioned by the IRS and unlikely to remain compliant in the future.

Were you to create online accounts for individuals to check, the IRS could regain the trust that was lost. Individuals already can make payments online, so there is no reason that you cannot display how these payments are applied and their impact on the bottom line. In addition, once taxpayers became eligible for a Streamlined Installment Agreement, you could provide the taxpayer with a link to your online enrollment center.

This type of fluidity and functionality is the norm for almost all credit cards and banks. It seems natural that the IRS provided a similar forum for debt management.

Thank you for your time and consideration. I appreciated your office's thoughtful response to my previous communication about improving the IRS and do hope that you give the above ideas the same amount of respect. If you have any questions or comments, you can reach me at the address and telephone number listed above.

May you and your family have a happy and safe 2008.

Very truly yours,

Roni Lynn Deutch  
Owner, President

CC: The Honorable Nancy Pelosi  
Office of the Speaker  
H-232, U.S. Capitol  
Washington, DC 20515

The Honorable Harry Reid  
Senate Majority Leader  
528 Hart Senate Office Building  
Washington, DC 20510

The Honorable Charles Rangel  
Committee on Ways & Means  
U.S. House of Representatives  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Max Baucus  
Committee On Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

The Honorable Steny H. Hoyer  
House Democratic Majority Leader  
H-107, U.S. Capitol  
Washington, D.C. 20515

The Honorable John Boehner  
Office of the Republican Leader  
H-204, U.S. Capitol  
Washington, DC 20515

The Honorable Mitch McConnell  
Senate Minority Leader  
361-A Russell Senate Office Building  
Washington, DC 20510

The Honorable Linda E. Stiff  
Acting Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, N.W.  
Washington, DC 20224

The Honorable Nina E. Olson  
National Taxpayer Advocate  
500 North Capital Street NW  
Room 1301-A  
Washington, DC, 20221