

# 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



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Roni L. Deutch Δ†

Shawn J. Ervin

Matthew S. Ritchie

Justin D. Hein Δ§

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 express my concerns regarding the quality of service the Internal Revenue Service (IRS) provides taxpayers nationwide. My "concerns" are in fact real life examples of what my law firm's tax attorneys experience on a daily basis when communicating with the IRS in attempting to resolve the back tax liabilities of American taxpayers.

One attorney at my law firm contacted the IRS about a client with a tax liability. This taxpayer-client had previously attempted to resolve their tax liability with the IRS on their own by providing financial information and documentation. However, the IRS failed to follow-up on the taxpayer's attempts, and instead, six months later, took action to pursue enforced collection action against the taxpayer in the form of an IRS levy on the taxpayer's wages.

In order to get the levy released, our attorney, upon request from the IRS, provided detailed taxpayer financial information. In response, the IRS representative challenged the financials. The IRS representative reviewed the previous financials supplied to the IRS by the taxpayer six months prior. Instead of relying on the up-to-date financial information, the IRS chose the information gathered six months prior because it demonstrated that the taxpayer-client had an ability to pay a larger monthly amount.

Luckily for our client, our law firm's attorney was prepared for this typical IRS tactic. In the six months since the client gave financials, the client had (1) changed jobs, (2) started paying health insurance, and (3) moved. The attorney previously requested documented proof of these events from the taxpayer-client prior to entering negotiations with the IRS. The attorney knew that all of these events dramatically altered the taxpayer-client's financial situation, on which the IRS bases its IRS levy and monthly payment plan decisions. And yet, because of the prior financials given, our attorney also knew that getting the IRS to accept the new financials would be like "pulling nails" and would, at a minimum, require extensive documentation to prove the change in income and expenses.

True to form, the IRS representative refused to budge. Even in the face of a reasonable explanation and extensive documentation (i.e. copy of a new apartment lease with new rate and proof of payment, copy of new paychecks showing health insurance deduction, etc.), the IRS representative refused to believe that a taxpayer's financial situation could change in a mere six months.

In the face of these typical IRS shenanigans, our taxpayer-client was again lucky to have retained our law firm. This is because our attorney knew that he was not getting anywhere and needed to request to speak with the IRS representative's manager. While this request takes up to 24 hours, it does usually result in the IRS providing a more trained and – generally – more customer service oriented individual for the negotiation. While the attorney did have to re-submit financial information and the documentation to support the changes, in the end, the attorney was able to get our taxpayer-client the resolution he deserved. The IRS representative's manager accepted the new financials, released the levy on the taxpayer-client's income, and established a manageable monthly payment plan. The two negotiation attempts did take over an hour apiece, but in the end, we were able to effectively serve the taxpayer-client.

The IRS also likes to employ what I call the "empathetic" IRS representative. These IRS representatives like to criticize or ridicule our taxpayer-clients that find themselves in debt to the IRS. As you may guess, taxpayers find themselves in financial dire straits for a variety of reasons, be it due to health, education, employment, or personal/familial issues. The financial debt includes IRS tax liability and debts to others (i.e. banks, credit cards, loans, family, friends, doctors, etc.). Given their financial hardship, you would think the IRS would employ compassionate individuals who delicately attempt to get these individuals to make the necessary adjustments to address their past and current federal tax obligations. But they do not.

Instead, the IRS employs individuals like the one who demanded a taxpayer liquidate his 1990 Sport Utility Vehicle, valued at \$500.00, to help pay down a \$10,000.00 IRS tax liability. The IRS employee made the demand even though the taxpayer-client, whose only source of income is disability, uses the vehicle to make twice-per-week visits to his physician and to go to the grocery store. Instead, the IRS employee advised our law firm's attorney that, "the client better get used to riding around on a bus." Another example would be the IRS employee who, when finding out our taxpayer-client had lost her job and could not afford to pay for food, let alone her IRS back tax debt, called our taxpayer-client, "a fool for failing to keep her job when she owed the IRS."

My final example of the "empathetic" IRS representative, is the one who our attorney dealt with when providing financials of a taxpayer-client whom was a single-mother with an elementary school-aged child. The taxpayer-client resided with her own, 68 year-old mother, who provided housing, food, clothing, and all living expenses. The taxpayer-client was actually enrolled in a trade school to acquire necessary job skills to provide for her child and own mother when she retired. The taxpayer-client's state of residence actually paid her tuition at the trade school and provided her household with food stamps to supplement the meager income the taxpayer-client's mother brought in. Given the taxpayer-client's lack of income, our attorney thought that the taxpayer-client would be a perfect candidate for the IRS's Currently Not Collectible program – basically a status that identifies that a taxpayer is in a financial hardship

and that all enforced collection activity by the IRS would be fruitless as the taxpayer has no assets to liquidate or income to contribute.

Unfortunately, the assigned “empathetic” IRS representative thought otherwise. When providing financials, the IRS representative demanded income, expense, and asset information for all members of the household, including the taxpayer-client’s mother. When it turned out that the taxpayer-client had some expenses of her own (i.e. bus fare to school, lunches between classes, fuel payments for when she used her mother’s car), the IRS representative demanded those expenses be documented with three-months of receipts and a written and signed letter from the taxpayer-client’s mother explaining how much money was given to the client to pay for these expenses. All of this was requested by the IRS representative and necessary before Currently Not Collectible status would be granted. Ultimately, we were able to get Currently Not Collectible status approved because we had promptly acquired all of the above documentation from the taxpayer-client, and provided it to the IRS by the deadline.

My final IRS “horror” story contains a common and reoccurring theme at the IRS:

**\$1.00 – \$1.00 = ability to pay \$450.00 per month**

What I am talking about is either (1) the result of IRS employees having an inordinate amount of faith in their IRS computer system even in the face of overwhelming evidence to the contrary, or (2) the result of the IRS employing hundreds of individuals who not only lack an understanding of customer service or job requirements, but also lack the ability to perform simple addition or subtraction.

For example, one of my law firm’s attorneys recently attempted to negotiate Currently Not Collectible status for a taxpayer-client. The taxpayer-client had just been laid-off at his place of employment, and was receiving unemployment insurance of roughly \$2,100.00 per month. This was considerably less than the \$2,700.00 per month he was making while employed. The taxpayer-client’s expenses reflected the income disparity, because he was now making less than his allowable monthly expenses, which was \$2,400.00 (with reduced taxes withheld). He was in a present financial hardship.

After recording the financial statement, the IRS representative replied that the taxpayer presently had the ability to pay \$850.00 per month. Realizing the obvious error, our attorney first requested that the representative re-check her computer program to make sure that all expenses had been allowed. He then reviewed the taxpayer-client’s financial item by item, confirming that the IRS representative entered them into the system and did not dispute any of the expenses. Yet, again, at the end, the IRS representative replied that the taxpayer had the present ability to pay \$850.00 per month. At that point, the attorney attempted to get the IRS representative to add up the amounts on paper, by pencil and a calculator. However, the IRS representative refused.

While incredibly annoyed, the attorney had faced this kind of rigid insanity before. He knew he had gotten as far as he could. He requested an IRS Manager call back. Twenty-five hours and one re-submitted financial document later, our attorney was able to get the taxpayer-client into the Currently Not Collectible status that he obviously deserved. It turned out that the

original IRS representative did not include the taxpayer-client's monthly allowance for food, clothing, personal care, and miscellaneous expenses or the taxpayer-client's monthly allowance for transportation expenses when using the system to calculate the total monthly allowable expense.

Luckily, as indicated above, my law firm's attorneys are as patient as they are skillful. Even when faced with barbaric levels of client service, apathy, and ignorance, they were still able to effectively represent our clients, get the clients into compliance, and resolve their underlying IRS tax liability. But these examples are just the tip of the iceberg. Not all of the horror stories come across my desk or even get to our law firm. Not all taxpayers retain skillful attorneys or other competent tax professionals when attempting to deal with the IRS. Thus, the above situations, when imposed upon untrained and fearful individuals who are not aware of their rights often become insurmountable barriers.

Granted, they may result in taxpayers entering into payment plans. However, as you know, these payment plans are hollow gestures. If a taxpayer cannot afford the payment, he or she just does not make it. Even worse, they may ultimately result in taxpayers just "giving up." These individuals choose not to file tax returns, not to pay IRS back tax debts, and creep slowly into the shadow economy of hidden assets and under-the-table wages. As you know, this is a terrible lifestyle for these individuals, but what other choice is an incompetent and uncompassionate IRS currently giving them? And, more importantly, what benefit does the U.S. Treasury receive from having an agency that is pushing individuals into the shadow economy?

Thank you for your time and consideration. If you have any questions or comments, you can reach me at the address and telephone number listed above.

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, DC 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 Douglas Shulman  
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