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Paying tax debt more flexible

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CRESCENT SPRINGS - On April 6, the Internal Revenue Service suspended from practice California-enrolled agent Richard Hargus for "not performing services related to offers in compromise (OIC) paid for by taxpayers."

Kathy Mospens, an enrolled agent at Gatherwright Freeman & Associates in Crescent Springs, isn't surprised by the rare suspension and expects more to come.

"Taxpayers who are in debt to the IRS are an easy target for unscrupulous tax resolution companies," said Mospens, who served in the IRS's audit division for 30 years. "They are scared and frightened and are easily convinced that it takes enormous fees to get out of trouble and stay out of jail. That just isn't so."

Enrolled agents are individuals - often working through law firms - who are allowed to represent taxpayers and can negotiate OICs on their behalf before the IRS. Lawyers and certified public accountants can also negotiate OICs.

An offer in compromise is a deal taxpayers can make with the IRS to settle their outstanding tax debt for less than what is owed. In January, the IRS announced that it would be more flexible in dealing with OICs. It said it would give more leniency to people whose home values may have declined and who may miss payments on already existing OICs.

Mospens said this "nicer IRS" sparked an interest in taxpayers in resolving their tax debts, but also sparked an interest from opportunistic companies and individuals looking to take advantage of taxpayers.

She said large up-front retainers are the first clue that a tax resolution company should be looked at more closely.

"We see this time and again," said Mospens. "We recently helped a man who paid an up-front retainer of \$25,000 to a large firm he saw on late-night television to help settle a half-million-dollar debt to the IRS. After several weeks he was billed for another \$15,000. He grew suspicious and came to us. We found that the original firm had not even contacted the IRS. We were able to resolve his problems for \$8,000 and actually got that \$15,000 back from the TV firm."

Mospens said taxpayers should also use a bit of common sense when using a tax resolution company.

"We had a business owner who paid an attorney \$25,000 to help settle a \$50,000 debt to the IRS," said Mospens. "Well, even if the IRS agrees to 50 cents on the dollar, his final bill would have still been the original \$50,000."

The IRS agrees to about 10 percent of the OICs that are requested according to the IRS's Annual Statistical Data Report.
