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Local tax experts hope to see kinder IRS

But proof will be in its willingness to bargain

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CRESCENT SPRINGS - The Internal Revenue Service has said it's going to be friendlier this tax season. But taxpayers will still need a strong guiding hand, according to two tax attorneys.

The announcement came as welcome news to many, but Joy Hall said she has a wait-and-see attitude. Hall is a tax attorney with the Horwitz Law Firm in Crescent Springs, a firm that practices nationally.

"Tax problems soar during tough economic times," said Hall. "An estimated one out of 10 taxpayers have a tax issue - either they haven't filed one or more returns or they owe tax.

"But the IRS has grown tougher in recent years," she said. "There were 3,760,000 tax levies issued in 2007, up from approximately 220,000 levies issued in 2000."

The first thing the IRS is doing is giving its agents more flexibility in postponing collection actions against non-payers and those who have missed payments.

"This is an opportunity not to be missed," said Martin J. Horwitz, the firm's founder and managing partner. "It is a window of opportunity for taxpayers in distress to come forward to try to work out a payment plan or consider all available options."

Horwitz said the IRS can be very difficult to navigate, but with proper advice and guidance, now is the best time in perhaps decades to work out a problem.

"Reasonable goals and objectives can be accomplished," said Horwitz. "Don't put your head in the sand."

Another area where the IRS is lightening its grip is Offer in Compromises. An OIC is an agreement where the IRS will accept less than what is owed. The IRS's rationale is that it would rather get less of something than none of the full amount owed.

Last year, Horwitz wrote a letter to members of the U.S. House Ways and Means Committee urging them to make OICs easier for taxpayers to get. Often, a taxpayer's only alternative is bankruptcy.

"The problem is that it's much easier for many taxpayers to go bankrupt than to get an OIC," said Horwitz. "With 10 (million) to 15 million delinquent taxpayers, there are roughly only 10,000 OICs approved each year, in contrast to 1.2 (million) to 1.5 million bankruptcies expected this year. An estimated 40 percent of the annual bankruptcies have a tax element and maybe as many as 100,000 of those are mostly about taxes."

Horwitz is pleased with the changes concerning OICs.

"In the past, the IRS has looked to home equity as a source for tax payment," said Horwitz. "With home values plummeting in some parts of the country, this is a good call. It makes no sense to tap an empty keg."

For those who already have an OIC agreement with the IRS and hit upon hard times, the IRS has offered more flexibility in payments.

The final action the IRS is taking is to speed up how fast they release levies on properties or income when the taxpayer has a financial hardship.

"The psychological effects of a tax problem are tremendous," said Hall. "There are remedies. It is not hopeless. Bring yourself forward. Get advice and get straight."
