Low-Income Taxpayer Clinic (LITC) Self-Help Resources Information:

The Audit Process

Most taxpayers are terrified by the possibility of an IRS audit. Most IRS audits, particularly for low-income taxpayers, are conducted by a computer matching program that identifies discrepancies between financial information electronically submitted to the IRS by third-parties, such as W-2's or 1099's, and information reported on by the taxpayer on a tax return. The IRS sometimes discovers other types of discrepancies, such as two taxpayers attempting to claim the same child on their separate individual tax returns.

The IRS issues a series of notices that give you the opportunity to challenge proposed changes to your tax return. Generally, you can agree with the proposed changes or you can dispute what the IRS plans to do and provide them with documented proof that you do not owe additional tax. Click https://www.irs.gov/pub/irs-pdf/p5181.pdf for more information on how to respond to these notices.

The IRS frequently asks for responses to its notices or letters within 30 days. In most situations, this is not a firm deadline, and if the 30 days have passed, you can and should submit a response defending your position to the IRS.

Disputes with the IRS and Representing Taxpayers in Court

Generally, citizens have a right to appeal IRS determinations through filing a petition in the U.S. Tax Court. The right to go to Tax Court arises when you receive either a **Notice of Deficiency** or **Notice of Determination**. You generally have 90 days from the date the Notice was issued to file a Tax Court petition. The Tax Court cannot extend the time for filing.

If you are considering filing a petition in the tax court, click the link here.

In your tax dispute involves $50,000 or less, you can choose to go through the small tax cases procedure. This procedure generally results in a speedier disposition. However, decisions in the small tax case procedures cannot be appealed.

Soon after you file a petition, you will receive a letter notifying you of your Court date, time, and place.

IRS Appeals Process

Appeals is a separate part the IRS organization. It is a less formal and less complex way to resolve tax issues. The Appeals process's goal is to understand the situation and fix the problem without going to Tax Court. Importantly, after you use the Appeals process, you can still bring your case to Tax Court.

IMPORTANT: If you use the Appeals process, the IRS may still issue you a Notice of Deficiency or Notice of Determination while the Appeals matter is pending. You must file a

Tax Court petition within the 90 day period stated in the Notice or your right to go to Tax Court will be waived.

If you know you are considering an appeal, click here.

To go to the IRS appeals homepage, click here.

To request an appeal with the IRS, click here.

Collection Due Process Hearing

If the IRS filed a lien or levy against you, or if they are garnishing your wages, you have a right to appeal such actions through the Collection Due Process (CDP) hearing procedure. Click here to see the Collection Due Process FAQ page for more info.

For more detailed information on your Collection Appeal rights, click here.

Audit Reconsideration

If you were the subject of an audit, you can challenge the IRS's decision through submitting a request for an ***audit reconsideration*** at any time**.** To be successful, you will need to present new information to the IRS that they did not previously reconsider, or it must be shown that the IRS has made a mistake.

The audit reconsideration process provides an opportunity to challenge tax assessments after they occur. You do not have a right provided by law to receive an audit reconsideration. The IRS can use its discretionary authority to evaluate a prior audit conducted by its employees. The purpose of audit reconsideration is to make sure the taxpayer only pays the correct amount of tax; the collection process is suspended while the reconsideration occurs.

If you have a legitimate doubt that you owe part or all of the tax debt, you can complete and submit a Form 656-L, Offer in Compromise (Doubt as to Liability), which can be found here. It is important that you submit Form 656-L before you enter into any collection negotiations or agreements with the IRS.

Collections

Has the IRS sent you a notice that you owe a tax debt? If you cannot pay the amount, you want to let the IRS know as soon as possible to avoid penalties.

Is the IRS threatening to garnish your wages, place a lien on your house, or levy your personal property?

There are multiple ways to stop the IRS collection efforts. Click here for more information on your delayed tax payment options. More information on your options is included below.

Currently non-Collectible (CNC) Status

Currently non-Collectible (CNC) status helps taxpayers by temporarily stopping the government's collection efforts. It is essentially like placing a hold on your debt. This option works well for taxpayers who have lost their income source and cannot pay their tax bill right now but know they will be able to pay relatively soon. Currently non-Collectible status does not change your ultimate tax burden, and the IRS will continue to add interest and penalties.

For some taxpayers CNC status can act as a permanent solution for outstanding tax balances. For example, if a taxpayer is retired or permanently disabled, owns no saleable assets, and is living on a fixed income with no likelihood of any increases in income, CNC status will continue from year to year until the statute of limitations on collection (usually 10 years) expires. Interest and penalties continue to be added onto the balance, and the IRS is required to send an annual notice to the taxpayer advising them of the new balance. Taxpayers often mistake this annual notice as a bill and think the IRS is coming after them again, but in fact the annual notice is or advice only. Eventually, these notices stop when the IRS can no longer legally come after you for the tax balance.

To be eligible for CNC status, you must show that your monthly income is below your living expenses. The IRS may ask you to complete Form 433-A, Collection Information Statement for Wage Earners and Self-Employed Individuals, or Form 433-F, Collection Information Statement, and/or Form 433-B, Collection Information Statement for Businesses, before making any collection decision.

You can find more information on CNC status here. Please note: the IRS has placed the CNC page under a "small business" heading, but individuals can apply for Currently non-Collectible status as well.

Installment Agreements and Payment Plans

If you have consistent income, but simply need more time to pay your tax bill, your best option may be to apply for an installment agreement, otherwise known as a payment plan.

The payment plan options are:

- A short-term payment plan, where you pay your entire balance in 120 days or less. You may qualify to apply online for a short-term payment plan if you owe less than $100,000 in combined tax, penalties, and interest.
- A long-term payment plan, or an installment agreement. This option allows you to pay a negotiated amount monthly. You may qualify to apply online for an installment agreement if you owe $50,000 or less in combined tax, penalties, and interest.

Payment plan information and applications can be found here.

Long-term installment agreements need to be negotiated with the IRS. Click here for more information on installment agreements.

Offer in Compromise

An Offer in Compromise (OIC) is an agreement between a taxpayer and the IRS that settles a tax debt for less than the full amount owed. If you will not be able to pay your tax debt in full in the future, an OIC may provide the best long-term solution for you and the IRS.

Click here for more information on Offers in Compromise.

There are different types of Offers in Compromise. The most common is based upon Doubt as to Collectability (DATC), where you demonstrate to the IRS that you truly do not have the combined assets and income to pay your tax liability in full. There is a set IRS formula for the amount you are required to offer based upon your assets and your income. If you want to see if you qualify for an OIC before filling out paperwork, use the IRS Pre-Qualifier tool, located here.

The IRS requires strict tax compliance both before and after it accepts an OIC. Before any type of OIC can be considered, you must:

1. File all tax returns you are legally required to file;
2. Have received a bill for all tax debts included on your offer; and
3. Make all required estimated tax payments for the current year.

The IRS will not consider your offer if you have not filed all legally required tax returns. You must also stay in full tax compliance for the five-year period AFTER your OIC is accepted and paid. If you fail to file a required tax return or make any required payment (including an estimated tax payment) during this 5-year period, your OIC will be defaulted and you will once again owe the entire amount of tax you originally owed.

Generally, the IRS will not accept an offer if you can pay your tax debt in full through an installment agreement or equity in non-exempt assets.

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Refunds

Has the IRS disallowed or readjusted your expenses, deductions, or credits like the EITC or CTC?

If you were improperly denied credits like the Earned-Income Tax Credit (EITC) or the Child Tax Credit (CTC), you may be able to increase your refund or lower your overall tax debt.

You can file amended returns for three years back if you did not claim your EITC or CTC in prior years. To file an amended return, you must submit a 1040-X, which can be found here.

For more info on the Earned-Income Tax Credit, click here.

To see if you qualify for the Child Tax Credit, you can use the IRS's CTC qualification tool, here.

The IRS Refund FAQ page can be found here.

If you are expecting a refund payment but haven't received it yet, use the tool here to see if, when, and where the IRS sent your refund. The IRS usually sends out refunds no later than 21 days after you electronically filed your return. Refunds from amended returns or paper returns sent by "snail mail" take at least 16 weeks or longer.

If your refund check is lost, stolen or destroyed, the IRS will initiate a refund trace to determine the status of the refund. See I lost my refund check. How do I get a new one?

Innocent Spouse Relief

Has the IRS incorrectly determined that you owe money for your partner's tax obligation? You may be entitled to innocent spouse relief, separation of liability relief, or equitable relief. Click here for more information on these different kinds of relief.

For more information on innocent spouse relief, click here.

If you qualify for innocent spouse relief, you will need to complete IRS Form 8857, Request for Innocent Spouse Relief. To qualify, you must:

- Have filed a joint return with your spouse with an error, such as your spouse underreporting income or taking an improper deduction, credit, or property basis.
- Establish that you did not know your spouse filed the return with an error.
- Show that it would be unfair to hold you liable for your spouse's tax bill.
- Not be involved in a fraudulent scheme.

Injured Spouse vs. Innocent Spouse

A lot of people, including IRS representatives, are confused about the difference between an Injured Spouse and an Innocent Spouse. In both situations, there is a joint tax return filed by a married couple. In an innocent spouse situation, there is an error on the tax return, such as omitted income, that one of the spouses did not know about and had no way of knowing.

An injured spouse claim has nothing to do with the accuracy of the jointly filed tax return. You're an injured spouse if all or part of **your share of a refund** from a joint return was or will be applied against the separate past-due federal tax, state tax, child or spousal support, or federal non-tax debt (such as a student loan) owed by your spouse. If you're an injured spouse, you may be entitled to recoup your share of the refund. For more information, refer to Topic No. 203, About Form 8379, Injured Spouse Allocation https://www.irs.gov/taxtopics/tc203 and Can I or My Spouse Claim Part of a Refund Being Applied Toward a Debt Owed by the Other Spouse? https://www.irs.gov/help/ita/can-i-or-my-spouse-claim-part-of-a-refund-being-applied-toward-a-debt-owed-by-the-other-spouse

Status

Has the IRS incorrectly determined your status as an employee (W-2) or independent contractor (1099)? For more info on fixing incorrect W-2 or 1099 statuses, click here.

Whether you are an employee or independent contractor will change your tax liability. For information on whether you are an independent contractor or employee, click here.

If you know you are not an employee, but are unsure if you are an independent contractor or small business owner, visit the Self-Employed Individual Tax Center, found here.

Do I need to file a tax return?

If you are unsure if you are required to file a tax return, use the online tool found here to find out.