

FOR PURPOSES OF
EDUCATION ONLY

You & The IRS A Womb to Tomb relationship

DELAWARE
**COMMUNITY
REINVESTMENT**
ACTION COUNCIL

DCRAC LAW



We help with

Collections

If the IRS believes you owe it money, they can garnish wages or social security payments, take money out of your bank account or file a lien—all actions that make it difficult to maintain good credit.

If money is not owed, we help get this corrected with the IRS.

If money is owed, we help stay/stop collection action, make affordable payment arrangements, or settle the debt (OIC).

And

Audits

When the IRS doesn't believe you should receive part or all of the refund claimed on the tax return, they audit the return.

You must prove you qualify for the deductions and credits claimed.

We help you understand the documents you need to provide as proof and can represent you during the audit.

And

Innocent Spouse

When you file a joint return showing tax due, it results in a joint debt, even if only one spouse had income.

A joint debt can also occur when one spouse fails to report all income on the tax return and IRS discovers this during an audit.

The IRS can collect a joint debt from either spouse.

If you are the innocent spouse, we can help you file a claim asking the IRS not to hold you responsible for your spouse's debt.

And

Employee v. Independent Contractor Disputes

Some employers treat their workers as independent contractors instead of employees.

At tax time, the affected workers often find themselves paying more taxes than expected.

If taxpayer desires, we can ask IRS to recognize that taxpayer is a worker and not an independent contractor.



Taxpayer Assistance service

We work with TAS when there is a client emergency.

You may work with them directly if you so choose.

Delaware TAS can be reached at 302-286-1654

FREE TAX PREPARATION

We do not prepare tax returns.

For free tax returns, contact

- NEHEMIAH GATEWAY CDC 302-655-0803
- AARP Tax Aide 888-27-7669

Still need to file 2021 return?

[No need to wait until the October 17 extension deadline.](#)

If you need help, got to irs.gov [Interactive Tax Assistant \(ITA\)](#) and [FAQs](#).

There's no penalty for failure to file if you're due a refund. An original return claiming a refund must be filed within 3 years of its due date for a refund to be allowed in most instances.

After the expiration of the three-year period, you lose the refund check and the application of any credits to other tax years that are underpaid.

The statute of limitations for the IRS to assess and collect any outstanding balances doesn't start until a return has been filed.

In other words, there's **no statute of limitations for assessing and collecting the tax if no return has been filed.**

Interactive Tax Assistant Search

Filing Requirement, Form to Use, Due Date

- [Do I Need to File a Tax Return?](#)
- [How Do I File a Deceased Person's Tax Return?](#)
- [Which Form Should I Use to File My Taxes?](#)
- [What Is the Due Date of My Federal Tax Return or Am I Eligible to Request an Extension?](#)
- [Should I File an Amended Return?](#)

Filing Status and Dependents

- [Whom May I Claim as a Dependent?](#)
- [What Is My Filing Status?](#)

Retirement: Pensions, IRAs, Social Security

- [Are My Social Security or Railroad Retirement Tier I Benefits Taxable?](#)
- [Is My Pension or Annuity Payment Taxable?](#)
- [Do I Need to Report the Transfer or Rollover of an IRA or Retirement Plan on My Tax Return?](#)
- [Is the Distribution From My Roth Account Taxable?](#)
- [Is the Distribution From My Traditional, SEP or SIMPLE IRA Taxable?](#)
- [Do I Meet an Exception to the Additional Tax on Early Distributions From IRAs or Retirement Plans?](#)
- [How Do I Correct an Excess Salary Deferral to My 401\(k\)?](#)

Interactive Tax Assistant Search

Other Income

- [Do I Include My Scholarship, Fellowship, or Education Grant as Income on My Tax Return?](#)
- [How Do I Claim My Gambling Winnings and/or Losses?](#)
- [Do I Have Income Subject to Self-Employment Tax?](#)
- [Is My Residential Rental Income Taxable and/or Are My Expenses Deductible?](#)
- [Is My Tip Income Taxable?](#)
- [Are Payments I Receive for Being Unemployed Taxable?](#)
- [Are the Fees I Receive as an Executor or Administrator of an Estate Taxable?](#)
- [Are the Life Insurance Proceeds I Received Taxable?](#)
- [Is the Payment I Received for Jury Duty Taxable?](#)
- [Is the Inheritance I Received Taxable?](#)
- [Is the Prize or Award I Received Taxable?](#)
- [Is the Gift I Received Taxable?](#)

Interactive Tax Assistant Search

Deductions

- [How Much Is My Standard Deduction?](#)
- [Can I Claim a Deduction for Student Loan Interest?](#)
- [Can I Deduct My Moving Expenses?](#)
- [How Do I Claim My Gambling Winnings and/or Losses?](#)
- [Can I Deduct My Medical and Dental Expenses?](#)
- [Can I Deduct My Mortgage-Related Expenses?](#)
- [Can I Deduct My Charitable Contributions?](#)
- [Can I Claim My Expenses as Miscellaneous Itemized Deductions on Schedule A?](#)
- [Can I Deduct Personal Taxes That I Pay as an Itemized Deduction on Schedule A?](#)
- [Are My Work-Related Education Expenses Deductible?](#)

Interactive Tax Assistant Search

Credits

- [Am I Eligible to Claim an Education Credit?](#)
- [Does My Child/Dependent Qualify for the Child Tax Credit or the Credit for Other Dependents?](#)
- [Am I Eligible to Claim the Premium Tax Credit?](#)
- [Am I Eligible to Claim the Child and Dependent Care Credit?](#)
- [Do I Qualify for the Credit for the Elderly or Disabled?](#)
- [Do I Qualify for the Retirement Savings Contributions Credit?](#)
- [Am I Eligible to Claim a Credit for Adopting a Child or to Exclude Employer-Provided Adoption Benefits From My Employer?](#)
- [Am I Eligible to Claim the Foreign Tax Credit?](#)
- [Do I Need to Repay the First-Time Homebuyer Credit?](#)

Interactive Tax Assistant Search

International

- [Am I Eligible to Apply for an Individual Taxpayer Identification Number?](#)
- [Can I Exclude Income Earned in a Foreign Country?](#)
- [Am I Eligible to Claim the Foreign Tax Credit?](#)
- [As a U.S. Citizen or Resident Alien Married to a Nonresident Alien, What's My Filing Status?](#)
- [Is Federal Income Tax Withholding Required on the Disposition of U.S. Property Interest by a Nonresident Alien?](#)
- [Am I Required to File a Nonresident Alien U.S. Individual Tax Return?](#)
- [As a Nonresident Alien, Are My Gambling Winnings Exempt From Federal Income Tax?](#)
- [As a Resident or Nonresident Alien, Am I Required to Obtain a Departure Permit to Leave the United States?](#)

Interactive Tax Assistant Search

Additional Topics

- [Am I Eligible to Apply for an Individual Taxpayer Identification Number?](#)
- [Can I or My Spouse Claim Part of a Refund Being Applied Toward a Debt Owed by the Other Spouse?](#)
- [How Do I Report the Debt Forgiven on My Residence Due to Foreclosure, Repossession, Abandonment, or Because of a Loan Modification or Short Sale?](#)
- [Am I Required to Make Estimated Tax](#)

[Payments?](#)

- [Do I Need to Pay the Heavy Highway Vehicle Use Tax?](#)
- [Are My Wages Exempt From Federal Income Tax Withholding?](#)

Life cycle changes & taxes

It is true, you have a womb to tomb relationship with the IRS.

Marital status changes: marriage, divorce, separation, or the death of a spouse. Inform the SSA of a name change--file Form SS-5 at your local SSA office and provide a recently issued document as proof of your legal name change.

Number of dependents: birth, death or adoption. Taxpayers must provide an SSN for each dependent claimed on a tax return. For adopted children without SSNs, apply for an Adoption Taxpayer Identification Number – file Form W-7A with the IRS.

Employment status: Beginning or ending of employment, new or different work hours, a change due to a strike, a change from full-time to part-time status or visa versa, the beginning or end of an unpaid leave of absence.

A dependent becoming eligible or ceasing to be eligible due to age, student status, etc.

THEY IMPACT YOUR TAX RETURNS IN THE YEAR THEY HAPPEN

Job loss has taxable consequences

- a. Severance pay/unemployment compensation/vacation/sick time is taxable.
- b. Generally, withdrawal from your pension plan is taxable unless they are transferred to a qualified plan. If you are under age 59 1/2, an additional tax may apply.
- c. Certain expenses incurred while looking for a new job may be deductible--employment and outplacement agency fees, resume preparation, and travel expenses for job search and interviews. Moving costs because of a change in your job location may be deductible. You must meet certain criteria relating to distance moved and timing of the move. Note: Standard deductions are \$12,550 for filing single and \$18,800 if filing head of household
- d. If you become eligible for benefits such as food stamps, those benefits are not taxable.
- e. If you received a gift, you are generally not liable for any taxes on the gift.
- f. “Hardship” exceptions to the early distribution of pension/IRA penalties (10%) are limited.
- g. Sale of a home or other assets could create capital gains taxes.
- h. If you start a business or join the gig economy—begin making estimated tax payments!

Start a business

Get informed: **Publication 334**, Tax Guide for Small Business, **Publication 583**, Starting a Business and Keeping Records, **Publication 4591**, Small Business Tax Responsibilities.

If you are a gig worker or receive a 1099, you should think of yourself as a sole proprietor.

Keep detailed records. Assume you will have to prove everything. Keep for three years from the date the tax return is filed.

Net income from a Sole Proprietorship is earned income for earned income tax credit.

You must file your returns—report business income and expenses. You must also pay Self-employed tax (15.3%)—your share and your employer's (business) share. Begin saving/paying taxes by estimating them—every quarter.

Employment taxes are paid using Forms 941, Employer's Quarterly Federal Tax Return, and Form 940, Employer's Annual Federal Unemployment Tax Return.

EMPLOYER: DO NOT USE MONEY WITHHELD FROM EMPLOYEE FOR FICA AND TAXES FOR ANY OTHER PURPOSE.

Identity theft

What is identity theft?

Identity theft occurs when someone uses your personal information such as your name, Social Security number (SSN) or other identifying information, without your permission, to commit fraud or other crimes.

How do you know if your tax records have been affected?

Usually, an identity thief uses a legitimate taxpayer's identity to fraudulently file a tax return and claim a refund. Generally, the identity thief will use a stolen SSN to file a forged tax return and attempt to get a fraudulent refund early in the filing season.

You may be unaware that this has happened until you file your return later in the filing season and discover that two returns have been filed using the same SSN.

Be alert to possible identity theft if you receive an IRS notice or letter that states that:

- More than one tax return for you was filed,
- You have a balance due, refund offset or have had collection actions taken against you for a year you did not file a tax return, or
- IRS records indicate you received wages from an employer unknown to you.

Identity theft

What to do if your tax records were affected by identity theft?

If you receive a notice from IRS, **respond immediately**. If you believe someone may have used your SSN fraudulently, please notify IRS immediately by responding to the name and number printed on the notice or letter. You will need to fill out the IRS Identity Theft Affidavit, [Form 14039](#).

For victims of identity theft who have previously been in contact with the IRS and **have not achieved a resolution**, please contact the IRS Identity Protection Specialized Unit, toll-free, at 1-800-908-4490.

Minimize Identity theft

Don't carry your Social Security card or any document(s) with your SSN on it.

Don't give a business your SSN just because they ask. Give it only when required.

Protect your financial information.

Check your credit report every 12 months.

Secure personal information in your home.

Protect your personal computers by using firewalls, anti-spam/virus software, update security patches, and change passwords for Internet accounts.

Don't give personal information over the phone, through the mail or on the Internet unless you have initiated the contact or you are sure you know who you are dealing with.

Audit

An IRS audit is a review/examination of an organization's or individual's accounts and financial information to ensure information is being reported correctly, according to the tax laws, to verify the amount of tax reported is accurate.

Selecting a return for audit does not always suggest that an error has been made. Note: Low-income taxpayers are 5 times more likely to be audited.

An audit may be conducted by mail or in-person at an IRS office (office audit) or at your home, place of business, or accountant's office (field audit).

The IRS will tell you what records are needed. Audits can result in no changes or changes. Any proposed changes to your return will be explained.

Should your account be selected for audit, you will be notified in two ways: By mail, or By telephone—expect a written letter confirming the audit. When in doubt, contact the IRS.

Your rights during audit

[Publication 1, Your Rights as a Taxpayer](#), explains your rights as a taxpayer as well as the examination, appeal, collection, and refund processes. These rights include:

1. A right to professional and courteous treatment by IRS employees.
2. A right to privacy and confidentiality about tax matters.
3. A right to know why the IRS is asking for information, how the IRS will use it and what will happen if the requested information is not provided.
4. A right to representation, by oneself or an authorized representative.
5. A right to appeal disagreements, both within the IRS and before the courts.

An audit can be concluded in three ways: No change; You Agree; or You Disagree

When You DISAGREE you may request a conference with a manager. In addition, you may file [Appeals Mediation Programs](#) or an [Appeal](#).

Exam

Some examinations are handled entirely by mail. Some take place in person.

An exam begins with a notice that your return has been selected and the records that are needed.

Any proposed changes to your return will be explained. You must understand the reasons for them.

You can act on your own behalf or have someone represent you or accompany you. If you filed a joint return, either you or your spouse, or both, can meet with the IRS.

The person representing you can be any federally authorized practitioner, including an attorney, a certified public accountant, an enrolled agent (a person enrolled to practice before the IRS), an enrolled actuary, or the person who prepared the return and signed it as the preparer.

If you want someone to represent you in your absence, you must furnish them with proper written authorization.

Disagree with the IRS?

Fast track mediation: Examinations (audits), Offers in compromise, Trust fund recovery penalties, and Other collection actions.

Most cases that are not docketed in any court qualify for fast track mediation. Mediation can take place at a conference you request with a supervisor, or later. The process involves an Appeals Officer who has been trained in mediation. You may represent yourself at the mediation session, or someone else can act as your representative.

30-day letter; 90-day letter/Notice of Deficiency

30-day letter includes

Right to appeal within 30 days, A copy of the examination report explaining the examiner's proposed changes, An agreement or waiver form, and A copy of Publication 5. You generally have 30 days from the date of the 30-day letter to tell the IRS whether you will accept or appeal the proposed changes.

90-day letter

If you do not respond to the 30-day letter, or if you later do not reach an agreement with an Appeals Officer, the IRS will send you a 90-day letter, which is also known as a notice of deficiency.

NOTE: If you miss the 90-day deadline to file your case in tax court, you are stuck with the tax debt.

Innocent spouse

Many married taxpayers choose to file a joint tax return because of certain benefits this filing status allows. Both taxpayers are jointly and individually responsible for the tax and any interest or penalty due on the joint return even if they later divorce. This is true even if a divorce decree states that a former spouse will be responsible for any amounts due on previously filed joint returns. One spouse may be held responsible for all the tax due even if all the income was earned by the other spouse.

In some cases, a spouse will be relieved of the tax, interest, and penalties on a joint tax return.

You must request innocent spouse relief no later than **2 years** after the date the IRS first attempted to collect the tax from you. OR You must request relief during the time the IRS has to collect the tax from you. If you are looking for a refund of tax you paid, then your request must be made within the time period for seeking a refund, which is generally three years after the date the return is filed or two years following the payment of the tax, whichever is later.

NOTE: Refunds are not available under separation of liability relief.

Installment agreement

Complete Form 9465-FS, Installment Agreement Request, if you owe more than \$25,000 Or you can use Form 2159, Payroll Deduction Agreement. Mail your form to the address on your bill.

If you request a payment plan, you can reduce penalties and interest by making voluntary payments according to the proposed plan's terms until IRS notifies you on the status of your request.

There's a user fee for Installment Agreements. If you meet the low-income guidelines, you can pay a reduced user fee. See Form 13844, Application for Reduced User Fee for Installment Agreements

To be eligible for an Installment Agreement, you must file all required tax returns. Prior to approving your Installment Agreement request, IRS may ask you to complete a Collection Information Statement (Form 433F, 433-A and/or Form 433-B) and provide proof of your financial status.

Offer in compromise

You may be eligible for an Offer in Compromise if you can't pay the amount you owe in full or through installments. By requesting an Offer in Compromise, you're asking to settle unpaid taxes for less than the full amount you owe. IRS may accept an Offer in Compromise if:

- a. IRS agrees that your tax debt may not be accurate,
- b. You have insufficient assets and income to pay the amount due, or
- c. Because of your exceptional circumstances, paying the amount due would cause an economic hardship or would be unjust.

You must pay an application fee and make an initial or periodic payment. Low-income taxpayers may qualify for a waiver of the application fee and initial or periodic payment.

NOTE: AN OIC TOLLS THE STATUTE OF LIMITATIONS

To apply, complete one of the following forms: Form 656-L, Offer in Compromise (**Doubt as to Liability**) Complete this if you think your tax debt isn't accurate. Form 656 (**Doubt as to Collectability**), Offer in Compromise Complete this if you're unable to pay the amount due, have an economic hardship, or other special circumstance that would cause paying the amount due to be unjust.

Currently Not collectible

If you can't pay any of the amount due, you can request that IRS delay collection until you're able to pay.

Prior to approving your request, IRS may ask you to complete a Collection Information Statement and provide proof of your financial status.

Please remember that even if IRS delays collection, they still charge applicable penalties and interest until you pay the full amount, and they may file a Notice of Federal Tax Lien.

IRS may also request updated financial information during this temporary delay to review your ability to pay.

Collection statute

IRS can attempt to collect your taxes up to 10 years from the date they were assessed.

Many actions extend this time, for example

- a. You request Installment Agreement or Offer in Compromise.
- b. You live outside the U.S. continuously for at least 6 months.
- c. The tax periods IRS is collecting on are included in a bankruptcy with an automatic stay.
- d. You request a Collection Due Process hearing.
- e. IRS is considering your request for Innocent Spouse Relief.
- f. If you appeal the Tax Court's decision to a U.S. Court of Appeals.

Wage levy

If IRS seizes your rights to wages, salary, commissions, or similar payments that are held by someone else, IRS will serve a levy once, not each time you are paid. The one levy continues until your debt is fully paid, other arrangements are made, or the collection period ends.

Other payments you receive, such as dividends and payments on promissory notes, are also subject to seizure. However, the seizure only reaches the payments due or the right to future payments as of the date of the levy.

Bank account levy

Seizure of the funds in your bank account will include funds available for withdrawal up to the amount of the seizure.

After the levy is issued, the bank will hold the available funds and give you 21 days to resolve any disputes about who owns the account before sending IRS the money.

After 21 days, the bank will send IRS your money, plus any interest earned on that amount, unless you have resolved the issue in another way.

Federal payment levy

As an alternative to the levy procedure used for other payments such as dividends and promissory notes, certain federal payments may be systemically seized through the Federal Payment Levy Program in order to pay your tax debt.

Under this program, IRS can generally seize up to 15% of your federal payments (up to 100% of payments due to a vendor for goods or services sold or leased to the federal government). IRS will serve the levy once, not each time you are paid. The one levy continues until your debt is fully paid, other arrangements are made, the collection period ends, or the IRS releases the levy.

The federal payments that can be seized in this program include, but aren't limited to, federal retirement annuity income from the Office of Personnel Management, Social Security benefits under Title II of the Social Security Act (OASDI), and federal contractor/ vendor payments.

Property levy

If IRS seizes your house or other property, IRS will sell your interest in the property and apply the proceeds (after the costs of the sale) to your tax debt.

Prior to selling your property, IRS will calculate a minimum bid price.

IRS will also provide you with a copy of the calculation and give you an opportunity to challenge the fair market value determination.

IRS will then provide you with the notice of sale and announce the pending sale to the public, usually through local newspapers or flyers posted in public places.

Cannot levy

Unemployment benefits, certain annuity and pension benefits, certain service -connected disability payments, workers compensation, certain public assistance payments, minimum weekly exempt income, assistance under the Job Training Partnership Act, and income from court ordered child support.

IRS also can't seize necessary schoolbooks and clothing, undelivered mail, certain amounts worth of fuel, provisions, furniture, personal effects for a household, and certain amounts worth of books and tools for trade, business, or professions. There are also limitations on IRS's ability to seize a primary residence and certain business assets.

Lastly, IRS can't seize your property unless IRS expects net proceeds to help pay off your tax debt.

Trust Fund Penalty

Assess a failure to deposit penalty, up to 15% of the amount not deposited in a timely manner.

IRS may propose a Trust Fund Recovery Penalty assessment against the individuals responsible for failing to pay the trust fund taxes.

Trust fund taxes are the income tax, Social Security tax, and Medicare tax withheld from the employee's wages. They are called trust fund taxes because the employer holds these funds "in trust" for the government until it submits them in a federal tax deposit. Certain excise taxes are also considered trust fund taxes because they are collected and held in trust for the government until submitted in a federal tax deposit.

To encourage prompt payment of withheld employment taxes and collected excise taxes, Congress has passed a law that provides for the Trust Fund Recovery Penalty--a penalty that is assessed personally against the individual or individuals who are responsible for paying the trust fund taxes but willfully did not do so. The amount of the penalty is equal to the amount of the unpaid trust fund taxes.

Federal Tax Lien

A legal claim against all your current and future property, such as a house or car, and rights to property, such as wages and bank accounts. The lien automatically comes into existence if you don't pay your amount due after receiving your first bill.

Notice of Federal Tax Lien (NFTL): A public notice to creditors. It notifies them that there is a federal tax lien that attaches to all your current and future property and rights to property.