



Sharon S Heinz, Accountant

(256) 489-1478
3315 Memorial Pkwy Ste C
Huntsville, AL 35801
SharonSHeinz@Comcast.net
SharonHeinzAccounting.com

10 Things You Should Know About The IRS.

1. The IRS can obtain a credit report on a taxpayer without prior authorization if a balance is owed to the government.
2. If there is an open audit or you owe a balance to the IRS, the IRS can summons bank records from your bank. The IRS is required to provide you with a notice after a summons is issued and sent to the bank. Although notices are not required for jeopardy assessments where there is a risk that the funds may be transferred outside of United States jurisdiction.
3. The IRS can levy funds from your bank account or send a levy notice to your employer or customers.
4. The IRS requires taxpayers to report earnings from illegal activity. Income from illegal activities, such as money from dealing illegal drugs, must be included in your income on Form 1040, line 21, or on Schedule C or Schedule C-EZ (Form 1040) if from your self-employment activity. This usually arises in drug cases where a person is prosecuted for a crime and then the IRS assesses the individual based on the amount of money they earned from the illegal activity.
5. There is no statute of limitations for the IRS to assess you if you failed to file a tax return or you filed a fraudulent tax return. In most cases the IRS has 3 years to audit you once you file a return.
6. The penalty for failing to file your income tax return is 5% per month of the balance you owe to the IRS. The penalty for failing to pay your income tax owed is only ½% per month. Each penalty maxes out at 25%. So if you owe \$10,000 for 2012 and you did not file a tax return, you could owe the IRS up to \$2,500 more for failing to file your return if your tax returns are more than 5 months past due and you did not file for an extension.

7. The IRS may abate one penalty during your lifetime based on your good behavior (i.e. you have been compliant in filing your returns and paying the taxes you owe).

There is no general formula. Anyone can apply to have a penalty abated.

8. As a business owner, you may be personally liable for certain taxes:

Payroll taxes owed to the IRS – you are liable for the "trust fund" portion of the taxes – the taxes your employees paid and the company was obligated to hold in trust for the government. The IRS may abate one penalty during your lifetime based on your good behavior (i.e. you have been compliant in filing your returns and paying the taxes you owe). There is no general formula. Anyone can apply to have a penalty abated.

9. As a business owner, you may be personally liable for certain taxes:

Payroll taxes owed to the IRS – you are liable for the "trust fund" portion of the taxes – the taxes your employees paid and the company was obligated to hold in trust for the government. Similarly, when a business has a tax debt and assets (money, equipment, patents, etc.) transferred to another person or business without compensating the company for the fair market value of those assets, the IRS may be able to collect a portion or possibly all of the taxes owed from the transferee. This is commonly referred to as "transferee liability."

10. Fraud penalties and certain taxes (i.e. payroll taxes, trust fund recovery penalty) are not dischargeable in a bankruptcy.