



The Tax Lawyer

Received An IRS Notice? 10 Simple Tips

Robert W. Wood, 08.26.10, 5:00 PM ET

I've written [here](#) about contesting bills from the Internal Revenue Service. But before you even think about whether to fight or pay up, there are some basics worth observing. In fact, many of these points come from the IRS, which seems to recognize that an IRS envelope in the mail can give you a knot in the pit of your stomach. So if you get a dreaded IRS notice or letter, here are some simple tips to help you through the maze.

1. Understand You Are Not Alone.

In many ways the IRS makes up for quality with quantity! Like the Post Office, the IRS is big, bureaucratic and amorphous. Every year the IRS sends millions and millions of letters and notices to taxpayers. Plus, if you have a power of attorney on file--which can be a good idea if you're worried about missing something--the IRS will send a copy to you as well as one to your designated attorney.

Powers of attorney are submitted to the IRS on Form 2848. See [IRS Form 2848](#) and [IRS instructions for Form 2848](#). Even if you don't have a power of attorney on file, the IRS is (quite appropriately) procedure-conscious in the extreme. That means you'll often receive multiple notices about the same thing.

2. Don't Panic!

The IRS itself says this, and you should take it to heart, for it is more important than you might think. First, open the envelope--don't assume you know what it is. Not every envelope from the IRS is a bill or even bad news. Many IRS letters and notices can be dealt with simply and painlessly.

In fact, many merely specify what the IRS did with your account, what the IRS has received, or what the IRS has on file. You might be surprised to know how many people march in to their tax lawyer or accountant with IRS notices in hand only to find that no action is required. For example, if you write to the IRS, you'll likely get several responses. The first will usually just acknowledge your letter and say that they will respond in due course. For lots more about IRS bills and Notices, see [IRS Publication 594, The IRS Collection Process](#).

3. Read Carefully.

This sounds silly, but many of us don't read carefully enough. There are many reasons the IRS sends letters and notices. The notice may request payment, may notify you of how the IRS applied a payment you made, may notify you of a change to your account, or may request additional information. The notice you receive normally covers a very specific issue about your account or tax return.

4. Follow Instructions and Keep Copies.

Each letter or notice offers specific instructions on what you need to do to satisfy the inquiry. A time frame for response is usually stated. Follow instructions, and respond in an appropriately targeted manner. Where proof will be helpful to your case, attach it (but *do not* send your only copy). Keep a copy of everything.

5. If You Need More Time, Ask.

For many notices, the IRS will grant an extension of time to respond. In some cases, though, it can't. For example, when you receive a Notice of Deficiency (90-day letter), you *must* file in Tax Court within 90 days if you want to dispute the matter before paying, and this date can't be extended. (For more about Tax Court and Notices of Deficiency, see "[Ten Things To Know About Fighting An IRS Bill.](#)") Most other notices are less strict. If you do ask for an extension, confirm it in writing. In fact, confirm in writing *everything* you do with the IRS.

6. Check the IRS Against Your Own Return or Documents.

If you receive a correction notice, review it and compare it carefully with the information on your return. For example, if the IRS notice says you reported \$6,129 of miscellaneous income on your return but that a Form 1099 sent to the IRS shows the payment was actually \$16,129, check your return to see if the IRS is correct. Sometimes even the IRS is wrong. For more details about Forms 1099, [click here](#).

7. You May Not Need to Reply.

If you agree with an IRS correction to your account, no reply is usually necessary--unless a payment is due. Sometimes the notice will say you will be billed. Sometimes you can expedite the billing (which may reduce interest charges that may be added) if you sign and return the notice indicating your agreement. Of course, be careful about such matters, and make sure you want to agree rather than contest the notice or issue. Information about penalties and interest charges is available in Publication 17, Your Federal Income Tax for Individuals. For more on 1099s, [click here](#). Regarding contesting notices, see also item 10 below.

8. Make Sure Your Reply is Timely and Complete.

If you do not agree with the IRS correction or notice, it is important that you respond as requested. Write to explain why you disagree. Include any documents and information you wish the IRS to consider, along with the bottom tear-off portion of the notice (or a copy of the entire notice). Mail the information to the IRS address shown in the upper left-hand corner of the notice. Allow at least 30 days for a response (and it often takes longer). Keep a copy of everything you send.

9. Calling, Visiting or Writing?

Most correspondence can be handled without calling or visiting an IRS office. In fact, in my experience, it is usually better to handle it in writing. However, if you have questions and feel you must speak to someone, call the telephone number in the upper right-hand corner of the notice. Have a copy of your tax return and the IRS correspondence handy when you call.

You may be in for a long wait on the telephone. Even tax lawyers and accountants face this, although we usually have special practitioner phone numbers that can shave time off the usual wait. Whatever you do over the phone or in person, document it carefully. You can ask IRS representatives to send you something confirming what they said. However, don't assume they will. The IRS is a huge agency, so treat it appropriately. If you've called and obtained a 30-day extension to respond, send a short letter confirming that's what the IRS agreed to over the phone, including the name (and/or badge number) of the person who gave you the extension. Keep a copy.

10. Get Some Help. This is a tough topic to address. First, pick your battles. It often doesn't pay to fight with the IRS. So if a tax bill is small, don't get into the system and risk bigger problems for a few dollars. Just pay the bill and move on. Of course, what is small to one person is a major bill to someone else. There's no absolute standard here. But at least consider the possibility of paying a tax bill unless you are sure you're better off contesting it. For more tips, see "[Ten Ways To Audit-Proof Your Tax Return.](#)"

Second, consider getting professional help. A tax lawyer, accountant or [enrolled agent](#) may do a better job with the issue than you can. It won't make sense to hire an expensive tax attorney for a small issue. However, if the tax point in question is big or involves bet-the-company stakes, get some help. In the 30 years I've been a tax lawyer, our system has gotten considerably more complex and difficult. Despite today's incredible information age with most tax authorities available online, you can't do it all yourself.

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