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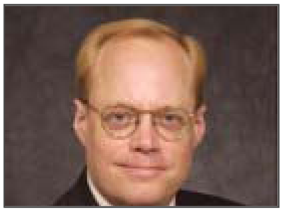

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TAXES 6/18/2015

Amazingly, IRS Collects 30 Year Old Tax Debt Despite 3 Year Statute Of Limitations

The IRS statute of limitations is usually 3 years to audit or make an assessment. There are many exceptions from this rule that give the IRS 6 years or longer. And once an assessment is made, the IRS collection statute is normally 10 years. Incredibly, in some cases the IRS can go back 30. In *Beeler v. Commissioner*, the Tax Court held Mr. Beeler responsible for 30 year-old payroll tax penalties.

That may sound crazy, but sometimes, the IRS has a memory like an elephant. And it can come down like an elephant on top of you, too. Don’t pay your income taxes and the IRS will come after you. But fail to pay *payroll* taxes and the IRS can push even harder. Payroll taxes involve withholding tax money from employee wages. Employers must hand it over to the IRS. “Responsible persons” have *personal* liability even if they are employees themselves and don’t own any part of the business.

Section 6672 of the tax code puts a 100% penalty on responsible persons who fail to withhold, or who withhold but fail to hand it over to the IRS. What’s more, this penalty can be assessed against more than one responsible person. IRS can *collect* only once, but it can come after them all and see who coughs up the money first.

Joel Beeler, Stuart Ross, and Robert Liebmann were all officers of Equidyne Management, a company that failed to pay employment taxes way back in 1982. The company fell on hard times, and so did some of the officers. In fact, Ross filed for bankruptcy in 1983. The IRS assessed the 100% penalty against all responsible officers in 1985.

Ten years later, in 1995, there was a settlement between the IRS and creditors. The IRS collected $80,860 on Ross's behalf in that settlement. The IRS also got judgments against Beeler ($154,032), Ross ($117,484), and Liebmann ($153,985).

Liens normally last 10 years, giving the IRS time to collect. But in 2001, the IRS made a mistake and released its tax lien. It was years later when the IRS discovered its mistake. At that point, the IRS went after Beeler.

The Tax Court agreed the IRS could collect from Beeler. However, on appeal, the Second Circuit ordered the Tax Court to determine whether Ross or Liebmann might have paid it. After all, with 3 officers, and 100% assessed against all 3, if one paid the other 2 would be off the hook.

Given the IRS errors, the Tax Court said the only fair thing was to put the burden of proving that neither Liebmann nor Ross paid the amount on the IRS. The IRS satisfied the Tax Court, so Beeler was still on the 30 year-old hook, stuck paying taxes from 1982!

Beeler's only consolation? The $80,860 the IRS collected from Ross, which the Tax Court offset against Beeler's penalty. The moral of this mess?

Pay your payroll taxes. If you can't handle it in-house, hire a payroll service so you won't have any discretion about it. If you aren't an owner, try to avoid check signing authority. If you can't avoid it, get a written indemnity, and make sure payroll taxes are always paid.

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