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IRS Audits, Tax Bills, Liens & Levies Can All Bring Grief

Opening a notice from the IRS can be worrisome. It is rarely good news. Even if it isn't an audit, it may be some kind of correction to your return, a query about it, a request for payment, a request for a return, or worse. It may be a Notice of Federal Tax Lien, or even a Notice of Levy. For many, a notice of audit may seem especially worrisome, because it brings so many uncertainties. Of course, audits are statistically rare. Even the IRS admits that [audits are rare](#). But that fact is hardly a comfort if you happen to be the one audited. Any IRS action can be fraught with uncertainty, fear, and even grief.



For some, the negative emotions the IRS provokes are strong and debilitating. This is understandable given the high stakes involved, including (in a tiny percentage of cases) the possibility of jail time. One--but by no means the only--context for these emotions involves whether to fight a tax bill or give in, whether to wait out a bad tax problem until the IRS finds it or to

pro-actively try to address it, etc. Still other are how to fix hidden offshore accounts or other serious tax issues.

The five stages of grief are denial, anger, bargaining, depression and acceptance. Swiss-American Psychiatrist [Elisabeth Kübler-Ross](#) wrote about it in her 1969 book, *On Death and Dying*. Dr. Kubler-Ross probably didn't have tax problems in mind when she came up with the five stages. Yet consider this progression for an IRS problem:

1. Denial. My tax problem really isn't a problem. The IRS will never find me. I pay lots of taxes. No one told me about this, so it isn't my fault. I don't get Forms 1099 or other incendiary items anyway, so who'll know? Certainly not the IRS!

2. Anger. Someone (my bank, my employees, my relatives, my enemies) must have told the IRS about me. How dare the IRS put me in this position? I'll flee the country. I'll sue my accountant. It's my ex's fault—he/she was the one who caused this problem anyway, not me. The IRS is crooked anyway, and they'll waste the money I pay them. The government can't do this to me. These penalties are unfair and onerous.

3. Bargaining. OK, I think I need to pay *something* to the IRS. I can make a deal, or just tell the IRS about part of the problems. That will look good, like I'm really honest. Besides, there's no way for the IRS to check my story. I can even get my friend/spouse/CPA/next door neighbor to put in a good word and corroborate my story. It really wasn't mine, it really isn't income, who's to say that I got \$10,000 anyhow. I'll say I got \$1,000. Next time I'll do it right. It's crazy to amend anything for the past.

4. Depression. I give up. This is the worst thing that's ever happened to me. I sent off the papers but maybe I should have just gone AWOL with a backpack. I could have lived off the grid in Jakarta. I'm a sap to be in this spot, writing checks to the IRS. I feel sick.

5. Acceptance. This deal isn't free, but it's not bad either. At least this way I can sleep at night. Now I can spend my money without going through all sorts of crazy gyrations.

Not all of these emotions appear in every case, of course. In fact, some people don't go through *any* of these stages. Yet this progression can happen and isn't as crazy as you may think. In fact, this parallel track can also play out:

1. I don't mind paying *any* amount, as long as I don't go to jail!
2. I don't mind paying taxes, but I shouldn't have to pay big penalties!
3. I already pay more than my fair share of taxes, and besides, they'll never audit me.
4. OK, I'll write the checks for taxes and penalties if I have to.
5. Now that it's done, I should have just ignored it and they never would have caught me. Besides, I was *never* worried about going to jail.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.