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Paying Taxes Pennies On The Dollar

I'll bet you've seen the TV ads from tax services claiming they can settle your tax debts for "pennies on the dollar." See [Attorney General Pursues 'Tax Lady' Roni Deutsch](#). If you're like me, you may wonder whether some claims are [too good to be true](#). But I confess I still find them darned [entertaining](#).

But sometimes these efforts aren't too successful. Take the recent case of [Joseph Mangiardi](#), who died with a trust worth \$4.5 million and IRAs worth \$3.4 million. See [Estate of Joseph L. Mangiardi v. Commissioner](#). That nest egg doesn't sound shabby, but the estate figured it owed estate tax of more than \$2.5 million.

That sounds manageable, since there was still plenty of money to go around. But the IRS had to get in line. First, the IRAs went to Mangiardi's nine kids. Then, over four years, the estate asked for six extensions of time to pay the tax. By that point, the value of the trust was a measly \$542,714. If the trust sold these now deflated securities, the estate was going to have a whopping loss.

Three years later, with the IRS still standing in line, the estate offered to settle the estate tax debt for \$700,000 . In a kind of turn-out-your-



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pockets serendipity, that was the remaining value of the trust at that point. Gee, IRS, this is all we've got left, so please accept it and don't claim we still owe \$2.5 million!

This may sound appealing if you watch a lot of TV. In fact, if you're an infomercial fan you'll be thinking that this tax debt should settle for only a few thousand dollars. Nope. The IRS rejected the \$700,000 offer because it planned to go after the children who had received the IRAs.

The estate went to court to challenge the IRS, claiming that the IRS had abused its discretion in failing to properly consider the settlement offer. The Tax Court said the IRS was right. But just like on TV, these people didn't give up and went to the [Court of Appeals](#). Surely the [Judge Judy](#) of the appellate court would give the IRS a smack down!

Nope, not hardly. In fact, the Eleventh Circuit Court of Appeals agreed with the IRS too. That clears the way for the IRS to proceed against the children.

For more, see:

[Tax Lady Roni Deutsch Bankrupt, Surrendering Bar License](#)

[Name This Tax Deal](#)

[When Too Good Tax Deals Become Fraud](#)

[Attorney General Pursues 'Tax Lady' Roni Deutsch](#)

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