



## Robert W. Wood

THE TAX LAWYER

Oct. 19 2010 — 9:00 am

### ‘Pennies On The Dollar’ Tax Relief: How Much Is It Worth?

I admit it: I love infomercials. I’ve succumbed to plenty of innovative kitchen tools, assorted blenders, food steamers and grillers, nostalgic music collections, sham-wows, 2 little giant ladders, and various other gear. I stay away from no-money down real estate kits and personal power courses, but I haven’t been reluctant to try upside-down-growing tomatoes, Snuggies, pet brushes, solar lighting and the sharpest knives ever.

It isn’t that I’m *just* a sucker. Whether I’m in a buying mood or not, I like *watching* infomercials, hearing gushing testimonials, staged kitchen-table amazement of family and neighbors at how incredibly easy that healthy vegetable dip was to make. Everyone seems so happy. I can’t fail to be caught up in the intoxicating enthusiasm of [Ron Popeil](#) proselytizing over rotisserie chicken, exhorting his studio audience like a responsorial minister to “Set it and Forget it.” Why then do I flinch when I see pennies on the dollar tax relief deals hawked so fervently?

As a tax lawyer for 30 years, I know the IRS and most state taxing authorities are not above making deals. Installment agreements and offers in compromise have always been possible. It is almost invariably the latter to which the tax relief shops are referring when they sell their wares. Curiously, many TV spots exhort viewers that the IRS has made a “limited time special offer.”

Since not much has changed in the IRS program for years, I have no idea what they mean. I suppose it fits the home-shopping-network-mantra to sell ***immediately***, not tomorrow. But unlike the double order of sham-wows you might get if you order in the next 20 minutes, I'm afraid you rarely get something special if you sign up right away for tax relief.

In fact, the IRS and the government are concerned that some people are getting fleeced, so beware. The FTC announced just this month that a federal judge had shut down "American Tax Relief" for allegedly tricking thousands of customers out of \$60 million over 4 years. See [At FTC's Request, Court Halts Tax Relief Scam That Collected More Than \\$60 Million](#) and [American Tax Relief Scam Shut Down—Finally](#). The up-front fees evidently ranged from \$3,200 to \$25,000, with little actual work allegedly done.

Elsewhere, Attorney General Jerry Brown [sued](#) peripatetic tax deal maven Roni Deutsch. Brown's suit seeks to bar deceptive ads and to collect \$34 million in restitution for clients she allegedly swindled. See [Tax Lady Roni Deutch Sued for "Heartless Scheme"](#) and ["Tax Lady Roni Deutch" Is No Lady, Jerry Brown Says](#).

I'm ***not*** saying you should ***never*** hire a tax resolution shop. There must be some good ones. But be careful, check references, and do some due diligence of your own. Sometimes the veritable boiler room operations that some run don't give you more value and could give you less. Many competent but less flamboyant tax professionals know how the system works and can help you through the process.

But whoever you hire, you should read up on the system ***before*** you jump in. Why spend money to have someone walk you through completing a financial statement form that you can do yourself? In fact, the IRS's [Form 656-B](#), Offer in Compromise Booklet contains information, worksheets, and all forms necessary to file an offer in compromise. Plus, the IRS has very good information on offers in compromise on its [website](#).

However, some things are immutable:

- You must have filed all your tax returns. The offer in compromise system can be based on IRS bills they've sent you from audits. Usually, though, they are just trying to collect the tax you reported on your returns (called "self-assessed"). The IRS won't consider you unless all your filings are up to date.
- The IRS won't consider you unless you fully disclose your personal finances in detail on IRS [Form 433-A](#), Collection Information Statement for Wage Earners and Self-Employed Individuals. If you have a business, you must also complete [Form 433-B](#), Collection Information Statement for Businesses. If you need help completing them, see [Publication 1854](#), How to Prepare a Collection Information Statement.
- Most offer in compromise work is dependent on your financial picture. Even if you have few assets, if you have good earnings prospects, the IRS may not agree to accept a small fraction of what you owe.
- Most competent tax advisers can get you some time, and time alone can be an asset worth having. IRS collection activity like levying on property and garnishing wages generally must stop during the time the IRS is considering your offer in compromise. That can take many months, and there are certain procedural appeals.

Most tax lawyers would probably prefer to do other kinds of work than to help clients through collection problems with the IRS or state tax agencies. Much other work is more sophisticated, technical and exciting. Still, there's no substitute for being thorough and detailed, and many clients in this spot truly need help.

I may have a few too many kitchen products that, contrary to the informercial, I don't use every day. But that's hardly a crushing burden the way unresolved tax problems can be. So if you hear tales that are way too good to be true, at least investigate them before you call in and pay large up-front fees. After all, sometimes a deal that *sounds* too good to be true *is*.

For more on offers in compromise, see:

[IRS's Topic 204, Offers In Compromise](#)

[Using an Offer in Compromise to Settle a Tax Bill](#)

[GAO-06-525, IRS Offers in Compromise](#)

*Robert W. Wood practices law with [Wood & Porter](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at [wood@woodporter.com](mailto:wood@woodporter.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*