

# Citrin Cooperman Corner

## What You Must Know if the IRS Contacts You

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One of taxpayers' biggest concerns is being contacted by the Internal Revenue Service (IRS). That little 4 x 9 envelope is enough to make anyone's heart skip a beat or two, even before the envelope is opened. You slowly peel open that flap wondering if your return is being examined, you owe money or, for an irrational moment, you're going to jail.

Don't just stuff it under your pillow to be dealt with another day. A timely response is important.

Here are a few things to consider before you read that letter.

Under the statute of limitations, there are specific periods of time for the IRS to make its inquiries and assessments. Generally, the IRS must do so within 3 years of the date of filing your return. So if you file your 2011 personal income tax return on April 15, 2012, the IRS has until April 15, 2015 to question items on your return, or to assess additional tax, penalties or interest.

There are a couple of exceptions to the general rule. The first is that the time period can be extended to 6 years when gross income in excess of 25% of the amount reported on the return has been omitted.

The second results in an open-ended assessment period and covers two situations.

- A false or fraudulent return with the intent to evade tax has been filed.
  - A tax return has not been filed.
- Simply put, there is no limitation on the period for assessing and collecting tax if a return has not been filed. This situation is easily rectified by filing the late return, thus starting the statute's clock running.

If you receive an assessment, do not assume the IRS is always correct. Often, assessments are in error and could be disputed by providing additional information. If the letter is a notification of examination, be sure to act by either providing the requested information or calling to request additional time. Do not just hope it will go away. It won't. If

the notification for examination is not responded to, the IRS will simply adjust your tax liability in its favor for the items in question, and promptly send you an assessment notice.

Once an assessment has been made, the IRS has 10 years to collect the tax by levy or by commencing a proceeding in court. Don't expect that you are going to outrun the IRS. The agency monitors collections very closely and is authorized to use private collection agencies.

As the IRS is subject to a statute of limitation for assessment and collection, a taxpayer is subject to a statute for claiming refunds. If you don't claim your refund during a prescribed period, the IRS will simply keep your money.

Many government tax agencies run Voluntary Disclosure Programs. If you come forward to declare that you owe tax before the tax agency finds you, the tax agency will usually limit the number of years that it will go back and assess tax, and will usually negotiate on the penalties. Some states will even consider reduced interest charges. In addition, if you are forthcoming, potential criminal charges will not be pursued. Of course, the details of the program vary based on the type of tax and the tax agency with which you are dealing.

Okay, now stay calm, slit that envelope open and see what you need to do.

As a cautionary note - if a notification comes from the IRS via email, do not open it. The IRS does not correspond by email. You can be sure it is a scam.

The next Citrin Cooperman Corner column will appear on this page, Monday, April 2, 2012 dealing with State and Local Taxes.

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