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THE TAX LAWYER

TAXES 2/24/2016

How To Respond To An IRS Notice? Very Carefully

When you receive an IRS notice, you may get a knot in the pit of your stomach even before you open it. Every year the IRS sends millions of letters and notices. (This is the way the agency contacts taxpayers, not by calling them out of the blue and [threatening to put them in jail](#) or [by sending emails demanding payment](#)—those are scams.)

Keep track of the letters you receive from the IRS! If you have a power of attorney on file—which can be a good idea if you’re worried about missing something—the IRS will send a copy to your designated attorney (as well as to you directly). Powers of attorney are submitted on [IRS Form 2848](#).

First, open the envelope—don’t assume you know what it is. Not every envelope from the IRS is a bill or even bad news. Many IRS letters and notices can be dealt with simply and painlessly. In fact, many merely specify what the IRS did with your account, what the IRS has received, or what the IRS has on file. You might be surprised to know how many people march in to their tax lawyer or accountant with IRS notices in hand only to find that no action is required. For example, if you write to the IRS, you’ll likely get several responses.



The first will usually just acknowledge your letter and say that they will respond in due course. For lots more about IRS bills and Notices, see [IRS Publication 594, The IRS Collection Process](#). The notice may request payment, may notify you of how the IRS applied a payment you made, may notify you of a change to your account, or may request additional information. The notice may cover a specific issue about your account or tax return.

Follow the instructions and keep copies. Each letter or notice offers specific instructions on what you need to do to satisfy the inquiry. A time frame for response is usually stated. Follow instructions, and respond in a targeted manner. Where proof will be helpful, attach it (but do not send your *only* copy). Keep a copy of everything.

For many notices, the IRS will grant an extension of time to respond if you need it. In some cases, though, the IRS can't. For example, when you receive a Notice of Deficiency (90-day letter), you must file in Tax Court within 90 days if you want to dispute the matter before paying, and this date can't be extended. Most other notices are less strict. If you do ask for an extension, confirm it in writing. In fact, confirm in writing everything you do with the IRS.

If you receive a correction notice, review it and compare it carefully with the information on your return. Check your return to see if the IRS is correct. Sometimes even the IRS is wrong. There could be a mismatch [about IRS Form 1099](#). If you agree with an IRS correction to your account, no reply is usually necessary—unless a payment is due. Sometimes the notice will say you will be billed. Sometimes you can expedite the billing (which may reduce interest charges that may be added) if you sign and return the notice indicating your agreement.

Be careful, and make sure you want to agree rather than contest the notice or issue. If you do not agree, it is important to respond. Explain why you disagree. Include any documents and information you want the IRS to consider, along with the bottom tear-off portion of the notice (or a copy of the entire notice). Mail the information to the IRS address shown on the notice. Allow at least 30 days for a response (and it often takes longer). Keep a copy of everything you send.

Most correspondence can be handled without calling or visiting an IRS office. In fact, in my experience, it is usually better to handle it in writing. But if you have questions and feel you must speak to someone, call the telephone number on the notice. Have a copy of your tax return and the IRS

correspondence handy when you call. You may be in for a long wait on the telephone.

Even tax lawyers and accountants face this, although we usually have special practitioner phone numbers that can shave time off the usual wait. Whatever you do over the phone or in person, document it carefully. You can ask IRS representatives to send you something confirming what they said. However, don't assume they will. The IRS is a huge agency, so treat it appropriately. If you've called and obtained a 30-day extension to respond, send a short letter confirming that's what the IRS agreed to over the phone, including the name (and/or badge number) of the person who gave you the extension. Keep a copy.

Pick your battles. It often doesn't pay to fight with the IRS. So if a tax bill is small, don't get into the system and risk bigger problems for a few dollars. Just pay the bill and move on. Of course, what is small to one person is a major bill to someone else. There's no absolute standard here. But at least consider the possibility of paying a tax bill unless you are sure you're better off contesting it.

Finally, a tax lawyer or accountant may do a better job than you can. So consider getting professional help, especially if the tax point is big or involves bet-the-company stakes.

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