

# What You Should Know When You Get A Letter From The IRS

By Robert W. Wood

If you receive an IRS envelope in the mail, you may get a knot in the pit of your stomach even before you open it. So if you get a dreaded IRS notice or letter, here are some simple tips. Every year the IRS sends out millions and millions of letters and notices to taxpayers. Plus, 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.

Powers of attorney are submitted on IRS Form 2848. Even if you don't have a power of attorney on file, you'll often receive multiple notices about the same thing. First, open the envelope. Do not 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 notice will usually just acknowledge your letter and say that the IRS will respond in due course. There are many reasons the IRS sends letters and notices. 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 you receive normally covers a very specific issue about your account or tax return. 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 an appropriately targeted manner.

Where proof will be helpful to your case, 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. In some cases, though, it 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 cannot 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 tax return.

For example, if the IRS notice says you reported \$6,129 of miscellaneous income on your return but that a Form 1099 sent to the IRS shows the payment was actually \$16,129, check your return to see if the IRS is correct. Sometimes even the IRS is wrong.

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 about such matters, and make sure you want to agree rather than contest the notice or issue. If you do not agree with the IRS correction or notice, it is important to respond as requested. Write to explain why you disagree.

Include any documents and information you wish 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 in the upper left-hand corner of 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, 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 in the upper right-hand corner of 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 have said to you. However, do not assume that they will. The IRS is a huge agency, so treat it appropriately.

If you have called the IRS and obtained a 30-day extension to respond, send a short letter confirming that this is what the IRS agreed to over the phone. Include the name (and/or badge number) of the person who gave you the extension. Keep a copy.

If you are embarking on a tax dispute, pick your battles. It may not pay to fight with the IRS. If a tax bill is small, do not get into the system and risk bigger problems for a few dollars. You may want to 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.

Also consider getting professional help. A tax lawyer or accountant may do a better job than you can. It may not make sense to hire an expensive tax attorney for a small issue. But if the tax point in question is big or involves bet-the-company stakes, get some help. Despite today's incredible information age with most tax authorities available online, you can't do it all yourself.



**Robert W. Wood** is a tax lawyer with [www.WoodLLP.com](http://www.WoodLLP.com), and the author of "Taxation of Damage Awards & Settlement Payments" ([www.TaxInstitute.com](http://www.TaxInstitute.com)). This is not legal advice.