

IRS LIENS

Federal Tax Liens are public records that indicate you owe the IRS various taxes. They are filed with the County Clerk in the county from which you or your business operates. Because they are public records, they will show up on your credit report. This often makes it difficult for a taxpayer to obtain a financing on an automobile or a home. Federal Tax Liens can tie up your personal property and real estate. Once a Federal Tax Lien is filed against your property you cannot sell or transfer the property without a clear title. Often taxpayers find themselves in a Catch-22 where they have property that they would like to borrow against, but because of the Federal Tax Lien, they cannot get a loan.



IRS LEVY

An IRS levy is the actual action taken by the IRS to collect taxes. For example, the IRS can issue a bank levy to obtain your cash in savings and checking accounts or the IRS can levy your wages or accounts receivable. When the IRS levies a bank account, the levy is only for the particular day the levy is received by the bank. The bank is required to remove whatever amount is available to your account (up to the amount of the IRS levy) and send it to the IRS in 21 days unless notified otherwise by the IRS. This type of levy does not effect any future deposits made into your bank account after the 21 days unless the IRS issues another bank account levy. An IRS wage levy is different. Wage levies are filed with your employer and remain in effect until the IRS notifies the employer that the wage levy has been released. Most wage levies take so much money from the taxpayers' paycheck that the taxpayer doesn't have enough money to live on.

IRS AUDITS

The IRS can audit you by mail, in your home, or in your office. Typically, correspondence audits are for missing documents in your tax return that IRS computers have attempted to find. These usually include W-2's and 1099 income items or interest expense items. This type of audit can be handled through the mail with the correct documentation. The IRS office audit is usually with a Tax Examiner who will request numerous documents and explanations of various deductions. This type of an audit may also require you to produce all bank records for a period of time so that the IRS can check for unreported income. The IRS audit schedule for your home or office should be taken more seriously due to the fact that the IRS Auditor is a Revenue Agent. All IRS audits should be taken seriously because they often lead to other tax years and other tax deductions not originally stated in the audit letter.

IRS SEIZURES

The IRS has extension powers when it comes to Seizure of Assets. These powers allow them to seize personal and business assets to pay off outstanding tax liabilities. This occurs when taxpayers have been avoiding the IRS. The IRS attempts to collect amounts owed with a seizure as the ultimate act of their collection efforts.

WAGE GARNISHMENT

The IRS wage garnishment is a very powerful tool used to collect taxes owed through your employer. Once a wage garnishment is filed with an employer, the employer is required to collect a large percentage of each paycheck. The paycheck that would have otherwise been paid to the employee, instead will now be paid to the IRS. The wage garnishment stays in effect until the IRS is fully paid or until the IRS agrees to release the garnishment.

UNFILED TAX RETURNS

The IRS may file on "SFR" (Substitute For Return) Tax Return for you, if you fail to file a return. This is the IRS's version of an unfiled tax return. Because SFRs are filed in the best interest of the government, the only deductions you'll receive are standard deductions, no personal exemption for spouses, children, interest and taxes on your home, cost of any stock or real estate sales, and business expenses, etc. will be applied

IRS PENALTIES

The most common penalties are: Failure to File and Failure to Pay. Both of these penalties can substantially increase the amount you owe the IRS in a very short period of time. To make matter worse the IRS charges you interest on the penalties. Many taxpayers often find out about IRS problems many years after they have occurred. This causes the amount owed to the IRS to be substantially greater due to penalties and interest.

INNOCENT AND INJURED SPOUSES

If you sign a joint return, the IRS may be able to collect any tax relating to that return from you - even if your spouse was the one who reported incorrectly. However, you may qualify for relief.

You may be eligible for **Innocent Spouse** relief if you meet the following conditions:

- ◆ You filed a joint return on which there was an understatement of tax due to an erroneous item relating to your spouse.
- ◆ You didn't know, and had no reason to know, about the understatement when you signed the return. It would be unfair to make you pay the tax

Innocent Spouse relief may be available even if you're still married to, and living with, the spouse who should have reported the additional tax.

If you have an unpaid tax bill from prior years, the IRS can keep your refund for the current year as a payment on that liability. Your refund can be applied against unpaid child support, spousal support and student loans. If the IRS has applied your share of a refund against a liability owed by your spouse, you're an **Injured Spouse** entitled to relief.

About Community Legal Services of Mid-Florida

Our mission is to provide access to justice through high quality legal assistance to low-income persons.

Community Legal Services of Mid-Florida, Inc. provides free legal assistance to eligible low-income persons in civil matters (we do not offer legal assistance in criminal or traffic matters).

We also provide community educational seminars and brochures regarding the major areas of law we practice.

Although the LITC receives funding from the IRS, the clinic and its employees are not affiliated with the IRS. A taxpayer's decision to use the LITC will not affect the taxpayer's rights before the IRS

Client toll-free number:



(866) 886 -1799
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The Florida Bar Foundation,
with *Interest on Trust Accounts*
program funding, provides
support for this service.

Community Legal Services of Mid-Florida, Inc.

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Community Legal Services of Mid-Florida

UNDERSTANDING IRS



Low-Income Taxpayer Clinic (LITC)

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PLEASE NOTE: WE DO NOT ASSIST WITH TAX PREPARATION UNLESS THERE IS AN UNDERLYING ISSUE THAT REQUIRES TAX PREPARATION AND FILING