



AMERICAN TAX RESCUE

TAX COMPLIANCE

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The IRS generally considers three dimensions of TAX COMPLIANCE: filing, payment, and reporting. The primary and first stage to compliance is to have all past due tax returns filed with an Original Filing (one that has been signed and sent in by the taxpayer). The IRS determines that a filing is required if the following occurs:

FILING:

The IRS uses the document matching program that matches income, deductions, and credits reported on the tax return with the wage and information return data reported by employers, banks, and credit unions on information returns.

Filing Status and Income minimums: (Based on 2023 income)

First amount is under age 65 and second amount is for 65 and older.

Single - \$13,850 - \$15,350

Married Filing Jointly - \$27,700 - \$29,200 (one spouse) \$30,700 (both spouses)

Married Filing Separately - \$12,950 - \$14,700

Head of Household - \$20,800 - \$22,300

*Gross income generally means all income that you received in the form of money, goods, property, and services that is not exempt from tax, including any income from outside of the United States (even if you may exclude all or part of it).

Please note that certain social security benefits may be excluded from the definition of gross income.

In addition to the above guidelines, you must file a tax return if you meet other very specific criteria see 'Additional Filing Requirements' below for more information.



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Additional Filing Requirements

In addition to the guidelines based on income, you must file a return if any of the following applies for 2023:

- You owe recapture taxes or the alternative minimum tax;
- You owe recapture of the first-time homebuyer's credit;
- You owe taxes, such as social security or Medicare, on tips not reported to your employer or on wages you received from an employer who did not withhold these taxes;
- You owe write in taxes such as social security, Medicare or RRTA tax on tips reported to your employer or on group term life insurance or additional tax on a health savings account;
- You had net earnings from self employment of at least \$400;
- You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes;
- You owe additional tax on a qualified plan, including an individual retirement account (IRA), or other tax favored account (Note: If you are filing a return only because you owe this tax, you can file Form 5329 by itself); or
- You owe household employment taxes (Note: If you are filing a return only because you owe this tax, you can file Schedule H by itself).
- You (or your spouse, if filing jointly) received HSA, Archer MSA or Medicare Advantage MSA distributions.

If you are required to file based on the above guidelines, then the following information pertains to you:

Delinquency Procedures for Back Taxes

IRS Policy Statement 5-133 states that the IRS practices enforcement of delinquency procedures for not more than six years" in most instances.

However, enforcement beyond a six-year time frame can be taken with prior managerial approval within the IRS. Approval must also be given to reduce the enforcement period. The IRS more actively pursues people with cases that criminally violate tax law and people who repeatedly refuse to comply with tax law. If you are a taxpayer with legal income making an honest effort to file a return, the standard six-year enforcement period is most likely to be applied to your case.



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Refunds for Back Taxes

If you have a refund due based on paycheck withholdings or estimated taxes paid in, the refund is only able to be claimed for a period of three years after the return for the tax year should have been filed. For example, if you were eligible for a refund based on 2007 taxes withheld, the return should have been due on April 15, 2008. You must claim your refund by April 15, 2011. Tax credits such as the Earned Income Credit (EIC) must also be claimed within three years.

Substitute for Return

If you have not filed your taxes, the IRS may have prepared an income tax return for you. This return is known as a Substitute for Return (SFR). The return is compiled based on earnings information the IRS receives on W-2 and 1099-series tax forms. The SFR is not always filed with your tax situation in mind. A married person who would benefit from filing as married, filing jointly could be written up as single or married, filing separately and end up with a higher income tax rate assessed. If you had income reported on a 1099, the SFR calculates tax on the full amount reported, even if you have qualified deductions.

Consequences for Not Filing

If you owe taxes and do not file a tax return on time, the IRS assesses penalties and interest up to a maximum of 25 percent of the tax due for the year. Over multiple years, interest and penalties can accrue to an amount greater than the original tax liability. If you cannot pay the IRS or negotiate a payment plan, the IRS can place a lien on your property or levy your wages. In some instances, the IRS can charge you with a misdemeanor or pursue a criminal investigation.

Misconceptions

A common misconception is that the 10-year collection limitation applies to taxes that have not been filed, but there is no formal limit set for collecting debts from those who do not file their taxes. It is rare, however, that the IRS will require more than six years' worth of paperwork and back taxes to be filed. Once these taxes are filed, you would then have 10 years to pay any back taxes due. The IRS may choose to do a substitute for return (SFR) if you fail to file a tax return.

*An important factor to remember, is that the IRS must usually have this information on their records for them to initiate an SFR or attempt to contact you about any past due returns.

PAYMENT:

If your taxes have been filed as an original or substitute (SFR), and there is a tax debt owed, you will now be in the payment compliance section. There are many options to obtain tax compliance in this stage.

- Pay the amount due in full.
- Partial Payment



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- Offer in Compromise
- Currently Non-Collectible
- Innocent Spouse Program
- Payment Plan
- Appeal
- Tax Court
- CSED Expiration

It is important to remember, all of the above options will keep you compliant during this stage. This includes the options that require NO payments. The taxpayer has the right to request and receive (if qualifies) any of the options.

The most important factor of this stage is to not ignore or put off the letters that you receive from the IRS. Your rights as a taxpayer are only as a benefit to you when you adhere to the guidelines.

REPORTING:

This stage of compliance usually refers to the reporting of income to others. This is usually done in the form of a W-2 or 1099.

There can be heavy civil penalties and even criminal assessments for failure to provide these reporting forms to the IRS. These forms are relied upon for keeping the filing status of individual compliance with income reporting.

These forms include:

- 1098 - Mortgage Interest Statement
- 1098-C - Contributions of Motor Vehicles
- 1098-E- Student Loan Interest Statement
- 1098 - T - Tuition Statement
- W-2 - Employment Wages
- W-2G - Gambling Winnings
- 1099-A: acquisition or Abandonment of Secured Property
- 1099-B: Proceeds from Broker and Barter Exchange Transactions
- 1099-C: Cancellation of Debt
- 1099-CAP: Changes in Corporate Control and Capital Structure
- 1099-DIV: Dividends and Distributions
- 1099-G: Government Payments
- 1099-H: Health Insurance Advance Payments
- 1099-INT: Interest Income



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- 1099-K: Merchant Card and Third-Party Network Payments
- 1099-LTC: Long Term Care Benefits
- 1099-MISC: Miscellaneous Income
- 1099-OID: Original Issue Discount
- 1099-PATR: Taxable Distributions Received from Cooperatives
- 1099-Q: Payment from Qualified Education Programs
- 1099-R: Distributions from Pensions, Annuities, Retirement Plans, IRAs, or Insurance Contracts
- 1099-S: Proceeds from Real Estate Transactions
- 1099-SA: Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
- 1042-S - Foreign Person's U.S. Source Income
- SSA-1099 - Social Security Benefit Statement
- SSA-1042S - Social Security Benefit Statement to Nonresident Aliens
- RRB-1099 - Payments by the Railroad Retirement Board
- RRB-1099R - Pension and Annuity Income by the Railroad Retirement Board
- RRB-1042S - Payments by the Railroad Retirement Board to Nonresident Aliens
- Form 940 - Employer's Annual Federal Unemployment (FUTA) Tax Return
- Form 941 - Employer's Quarterly Federal Tax Return

It is important to never ignore an IRS notice to any of these concerns above. You may contact UPC Business immediately for help in any of these matters.
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