



## FROM THE DESK OF MORGAN D. KING DEC. 10, 2007

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### NEWS & UPDATES

#### IS THE UNITED STATES ON VERGE OF BANKRUPTCY?

A handful of Valium might be more appropriate. That was my reaction when a non-U.S. regulator suggested to me that we wouldn't need coffee to stay awake.

We had just heard a barrage of alarming economic news at the International Foundation of Accountants' World Accountancy Forum on Tuesday. Particularly dour were the remarks of Laurence Kotlikoff, a Boston University economics professor. Finance executives who think the government might be in a position to assume some of their health care or pension costs have another think coming, the professor's speech suggested.

Kotlikoff cited recent accounting by two economists, Jagadeesh Gokhale and Kent Smetters, that suggested that, in present-value terms, more than \$70 trillion divides projected future U.S. federal spending from projected federal receipts. "This fiscal gap is enormous and indicates that our nation is, quite literally, facing bankruptcy," the professor intoned.

For more story -

[http://www.cfo.com/blogs/index.cfm/l\\_detail/10272278?f=blog\\_mostrecentpost](http://www.cfo.com/blogs/index.cfm/l_detail/10272278?f=blog_mostrecentpost)

#### THE TAXMAN COMETH EVEN ON FORECLOSED HOMES

If you thought a bank foreclosure ended the financial miseries associated with your former home, think again. You could soon be hearing from the IRS about taxes due in connection with the residence you no longer own.

"You can walk away from the big house payment, but not from the potential tax implications," says John Roth, senior tax analyst at CCH in Riverwoods, Ill. "And if you couldn't afford the mortgage, you probably can't afford the taxes."

As the lending crisis continues to shake out, more

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homeowners, particularly those who used creative mortgages to buy their houses, could be in this predicament. Even longtime homeowners who refinanced their properties based on increased value when the real-estate market was hot could find themselves in tax trouble if they lose their properties to the bank.

For more story -

<http://www.newhopemotelinthewoods.com/2007/11/25/the-taxman-cometh-even-on-foreclosed-homes/>

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#### FORMER IRS EMPLOYEE FOUND GUILTY BY JURY FOR FAILURE TO FILE INCOME TAX RETURNS

ATLANTA. – Sherry Jackson, 45, of Stone Mountain, Georgia, was found guilty on October 31, 2007 on multiple charges relating to her failure to file income tax returns in violation of federal law.

The case was jointly prosecuted by the Tax Division and the United States Attorney's Office in the Northern District of Georgia. In response to the quick jury verdict, U.S. Attorney David Nahmias said, "The jury took less than 25 minutes to find this former Internal Revenue Service (IRS) agent guilty. This case is a reminder that all of us, even those who used to work with the IRS and know the rules well, have to submit our tax returns and pay the taxes due."

According to the evidence at trial: commencing in 2000, Jackson, a former Revenue Agent with the IRS, willfully and intentionally did not file her own individual tax returns. During that same time period, however, she operated a tax return preparation business and continued to prepare, submit and file individual tax returns for her clients. For the next three years, JACKSON intentionally did not file her tax returns, despite an income of over \$400,000 in that time period.

According to testimony at trial, Jackson said she did not file her individual returns because she did not know what the term "individual" meant in tax law. The evidence showed that Jackson in fact knew her legal duty to file with the IRS, and intentionally chose to disregard the law.

Sentencing for Jackson is expected to be in January 2008 before United States District Judge Orinda Evans, although an exact date has not yet been set by the court.

This case was investigated by IRS-Criminal Investigation, and prosecuted by Tax Division attorney Joseph Giannullo, and AUSA Richard M. Lanway.

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#### PROFESSIONALS MAY NOW OBTAIN ACCOUNT TRANSCRIPTS ELECTRONICALLY

Circular 230 practitioners have asked the IRS for unlimited access to e-Services. We are now able to grant their request.

Who are Circular 230 Practitioners?

There are three types of practitioners: Attorney, Certified Public Accountant (CPA) and Enrolled Agent.

Attorney means any person who is a member in good standing of the bar of the highest court of any State, territory, or possession of the United States, including a Commonwealth or the District of Columbia.

Certified public accountant (CPA) means any person who is duly qualified to practice as a certified public accountant in any State, territory, or possession of the United States, including a Commonwealth, or the District of Columbia.

Enrolled agent means any person who has earned the privilege of practicing or representing taxpayers before the Internal Revenue Service. Enrolled agents, like attorneys and certified public accountants (CPAs), are unrestricted as to which taxpayers they can represent, what types of tax matters they can handle, and before which IRS offices they can practice.

Why are we doing this?

e-Services increase tax filing efficiency and save valuable time and resources for tax practitioners and the IRS. Our expansion of the e-Services incentive products to a larger audience is due to high demand and continued requests from the tax practitioner community.

What are the e-Services three incentive products?

Disclosure Authorization

Eligible tax professionals can complete disclosure authorization forms, and view and modify existing forms, all online. Disclosure Authorization allows tax professionals to electronically submit Form 2848, Power of Attorney and Declaration of Representative; and Form 8821, Tax Information Authorization. Disclosure Authorization expedites processing and issues a real-time acknowledgement of accepted submissions.

Electronic Account Resolution

Tax professionals using EAR can quickly resolve clients' account problems by electronically sending and receiving inquiries about individual or business account problems, refunds, installment agreements, missing payments or notices. Tax professionals must have a power of attorney (Form 2848 only) on file before inquiring into a client's account. Responses are delivered to a secure electronic mailbox within three business days. Use Disclosure Authorization to submit the Form 2848 to the IRS.

Transcript Delivery System

TDS resolves clients' need for return and account information quickly in a secure, online session. It allows eligible tax professionals, with a power of attorney (Form 2848 only) on file, to request and receive account transcripts, wage and income transcripts, tax return transcripts, and verification of non-filing letters for individual taxpayers and account transcripts for business taxpayers. Use Disclosure Authorization to submit the Form 2848 to the IRS.

For more story and For online registration form -  
<http://www.irs.gov/taxpros/article/0,,id=174857,00.html>

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## IRS LOOKS AT TAX-FRAUD SCHEMES & SCAMS

### IRS WARNS TAXPAYERS OF NEW E-MAIL SCAMS

2007 — an e-mail scam claims to come from the IRS and the Taxpayer Advocate Service (a genuine and independent organization within the IRS whose employees assist taxpayers with unresolved tax problems). The e-mail says that the recipient is eligible for a tax refund and directs the recipient to click on a link that leads to a fake IRS Web site. The IRS recommends that recipients do not click on links in, or open any attachments to, e-mails they receive that are unsolicited or that come from unknown sources.



2007 — A new scam e-mail that appears to be a solicitation from the IRS and the U.S. government for charitable contributions to victims of the recent Southern California wildfires has been making the rounds. A link in the e-mail, when clicked, sends the e-mail recipients to a Web site that looks like the IRS Web site, but isn't. They are then directed to click on a link that opens a donation form that asks for personal and financial information. The scammers can use that information to gain access to the e-mail recipients' financial accounts. The IRS does not send e-mails to taxpayers soliciting contributions to a charitable cause.

For more story -  
<http://www.irs.gov/newsroom/article/0,,id=170894,00.html>

## ANOTHER OIC DENIAL DEEMED ABUSE OF DISCRETION

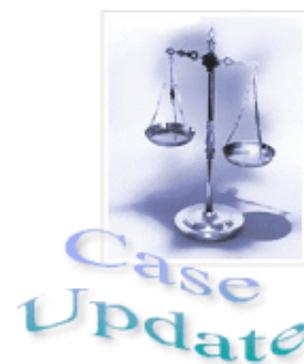
### COURT CRITICIZES IRS APPEALS FOR INCLUDING VALUE OF DISSIPATED ASSETS

In this case the taxpayer, a physician, was sent a final notice of intent to levy. In response, taxpayer timely requested a due process hearing, and submitted an offer-in-compromise in which he offered \$30,000.

At a face-to-face hearing with IRS appeals taxpayer disclosed that he had recently sold his interest in the medical center, for \$108,000. He used these funds to pay, among other things, delinquent child support, legal fees for representation before the IRS, accounting fees, estimated taxes, and expenses related to starting up his medical office.

The IRS rejected his offer, primarily on the ground that the value of the dissipated funds should be included in the offer.

The Tax Court was perplexed by this position. After acknowledging that the IRS Manual provides, under the right circumstances, that the value of dissipated assets may be a



factor in calculating an acceptable offer, the Court observed "It is not totally clear how dissipated assets can be 'no longer available to pay the tax liability' while at the same time included in the 'reasonable collection potential calculation.'"

The Court then examined what the taxpayer represented he had spent the proceeds on, and which the IRS did not acknowledge. The Court held it was an abuse of discretion for Appeals to not deduct from the figure for dissipated funds, his payments for estimated taxes, payments made in connection with a civil lawsuit the taxpayer was engaged in, and amounts paid for delinquent child support. Noting that the liquidation value of the taxpayer's medical practice was negligible, and there was no equity in his residence, the Court found that the demand by the IRS should be based primarily on his income, rather than the value of the dissipated assets.

Samuel v. Commissioner of Internal Revenue Service, No. 8431-05L (U.S.T.C. 10/15/2007) (U.S.T.C. 2007).

## OVER-PROMISING IN ADVERTISING TAX SERVICES

### BEWARE OF OVER-PROMISING TAX RELIEF SERVICES

Recent court rulings affirm a taxpayer's right to sue private tax relief services for false advertising.

Two recent court rulings out of New York have permitted lawsuits to continue against American Tax Relief, a national self-styled tax service, for over-promising relief for people who owe back taxes and can't pay them.

The lawsuits allege that American Tax Relief (ATR) mailed postcards and other advertisements to people who had tax liens recorded against them, in which ATR asserted, among other things, "Congress has recently passed NEW laws, making it easier to settle tax debts." The advertisements also stated "We can help you today." The advertisements further state that ATR has "... helped thousands settle their taxes for only Pennies-on-the-Dollar." The allegations question whether there were, in fact, "new" laws making settlement easier, and assert that the advertising implies ATR can, in all cases, help "today" and settle all tax claims for "pennies-on-the-dollar," when in fact the IRS offer-in-compromise program includes restrictive eligibility standards that disqualify many, if not most, delinquent taxpayers.

In both cases American Tax Relief sought dismissal of the lawsuits, arguing that if anything, their advertising was only "exaggeration" and that exaggeration by itself is not included in the list of prohibited conduct under New York consumer-protection laws.

In both cases the courts ruled essentially in favor of the plaintiffs and permitted the main provisions of the lawsuits to proceed to trial. The cases are Jonathan Mintz, Commissioner of the Department of Consumer Affairs, v. American Tax Relief, and Willie Mae Brown, On Behalf of Herself and Others Similarly Situated, v. American Tax Relief.



There are many competent tax professionals who handle such matters ethically, and in the right case can provide legal remedies for tax debts. But beware of promising guaranteed results and other "exaggeration" in advertising.

## CONSULTING WITH MORGAN KING 925-829-6363

ACROSS THE U.S. HELPING PEOPLE WITH DELINQUENT TAX PROBLEMS

California attorney Morgan D. King has been in practice for over 35 years, many of those years dedicated to finding legal remedies for delinquent tax liabilities. He is the author of the acclaimed "King's Discharging Taxes in Bankruptcy," and is currently writing "King's Legal Guide to Delinquent Tax Remedies."

King consults with other tax professionals, evaluating cases and writing expert opinion letters to help guide lawyers, enrolled agents, and accountants with their clients. He also represents taxpayers. Among the services offered are:

- Offers-in-compromise
- Marital transmutation agreements
- Representation at collection due process hearings
- Innocent-spouse defense
- Analysis of tax collection statutes of limitations
- Installment payment plans
- Tax Advocate assistance
- Collection appeals
- Discharge in bankruptcy

Mr. King may represent taxpayers in any state and can refer local counsel if appropriate.

Visit Morgan King's web site, [TaxJustice.com](http://TaxJustice.com), by clicking on his picture at right or the link below.

Or, e-mail him at [morgan@TaxJustice.com](mailto:morgan@TaxJustice.com)

[CLICK HERE TO VISIT TAXJUSTICE.COM](http://TaxJustice.com)

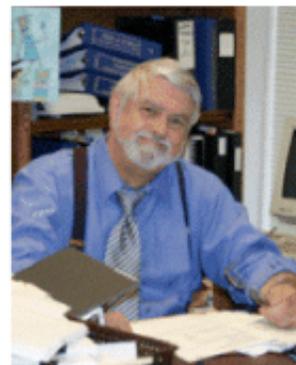
## SIGN UP FOR KING'S TAXGRAM - FREE!

KEEP CURRENT on news, new case rulings, issues and answers, and updates on relevant law and procedure For tax professionals who help delinquent taxpayers find legal remedies for tax debts.

A free electronic newsletter distributed by The Law Offices of Morgan D. King, Attorneys & Counselors at Law, in Dublin, California. 925-829-6363, [Morgan@TaxJustice.com](mailto:Morgan@TaxJustice.com).

Subscribing is free and quick, and by subscribing the letter will get past your SPAM filter!

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