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U.S. GOVERNMENT IS TAX DEADBEAT!

FEDS OWE \$45M IN EMPLOYMENT TAXES

Washington, D.C. (Sept. 4, 2007)

The federal government is itself a tax delinquent, owing approximately \$45 million in employment taxes, according to a report from a Treasury Department watchdog.

The Treasury Inspector General for Tax Administration said the delinquent tax payments by federal agencies could adversely affect state and local government bodies, including school districts, in addition to harming the image of the feds. "It is critical to the image of the United States that federal government entities be held to the same standards as private employers," said the TIGTA report.

TIGTA acknowledged that the Internal Revenue Service has improved its efforts to collect delinquent employment taxes from government entities. But the inspectors blamed the IRS for not routinely tracking information on how cases are resolved or gathering data on the causes of the delinquencies.

More story - <http://www.webcpa.com/article.cfm?articleid=25253>

ALLOWABLE IRS LIVING EXPENSES ADJUSTED TO 2007 ALE STANDARDS

NOTE: This headliner is current through the publication date, August 30, 2007. Since changes may have occurred, no guarantees are made concerning the technical accuracy after the publication date.

To promote better consistency and fairness, the IRS has revised the methodology for calculating some of the Allowable Living Expense standards used in collection determinations. These changes will be reflected in the 2007

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standards which will become available and effective October 1, 2007.

The Allowable Living Expenses rely solely on the Bureau of Labor Statistics (BLS) and other governmental expenditure figures, which are based on surveys of actual consumer expenditures and provide a fair basis for allowances.

Elements of the redesign include:

New Category – Health Care (medical services, prescription drugs and medical supplies)

A new table based on MEPS (Medical Expenditure Panel Survey) expenditure data has been established for a minimum allowance for out-of-pocket health care expenses using an average household standard amount per person for taxpayers and their dependents under 65 and those individuals that are 65 and older. The health care standard has been established as a floor on a per person basis and does not require taxpayer documentation unless the amount claimed exceeds the standard.

National Standard Expenses (food, housekeeping supplies, apparel and services, personal care products and miscellaneous)

Alaska and Hawaii are included in the continental U.S. national standards, creating one set of tables for the entire nation. Income ranges for national standard allowances have been eliminated, allowing for the consistent treatment of all taxpayers regardless of income.

Housing and Utility Expenses (mortgage or rent, property taxes, interest, maintenance and repair, insurance; gas, electricity, water, heating oil, garbage collection, telephone and cell phone)

Standards for Housing and Utilities have been expanded to include categories for households of 1, 2, 3, 4, and 5 or more. An allowance for cell phone costs based on BLS expenditure data has been included in the Housing and Utility standards.

Transportation Expenses (vehicle payments, maintenance, insurance, fuel, registrations, licenses, inspections, parking and public transportation costs)

The public transportation allowance has been removed from vehicle operating costs resulting in a reduction of operating costs allowed. The ownership and operating cost allowances for a second vehicle are the same as the allowances for the first vehicle due to the elimination of the current reduction for expenses of a second vehicle.

There is a single nationwide allowance for public transportation based on BLS expenditure data for mass transit fares (bus, train, taxi, etc.) for travel between and within cities. The public transportation allowance replaced the no car allowance. This allowance has been reduced as a result of cruise and airplane travel costs being eliminated from the no car standard. The revised public transportation allowance is established as a floor for individuals without a vehicle, and does not require taxpayer documentation unless the amount claimed exceeds the standard.

Additional information will be provided October 1, 2007.

Source of story -

<http://www.irs.gov/businesses/small/article/0,,id=173524,00.html>

NEW IOWA TAX PROGRAM HELPS RELIEVE PAST DEBT

Des Moines (AP) - If you owe the government money for back taxes, Iowa is making it easier to pay up.

"Tax and Relax" is a two month tax amnesty plan that will allow Iowans to settle past due debts.

In exchange for paying owed taxes, the state will waive all penalties and half the interest on the delinquencies.

The program is expected to bring in nearly \$54 million.

"Tax and Relax" starts September 4 and ends on October 31.

More story - <http://www.iowataxamnesty.gov/>

WHEN CONTROVERSY FOLLOWS CASH

Washington Post, September 3, 2007

Sant S. Chatwal, an Indian American businessman, has helped raise hundreds of thousands of dollars for Sen. Hillary Rodham Clinton's campaigns, even as he battled governments on two continents to escape bankruptcy and millions of dollars in tax liens....

Chatwal's case reached from his native India to New York City. The IRS pursued him for approximately \$4 million...

New York state placed a lien seeking more than \$5 million in taxes. He forfeited a building to New York City on which he was delinquent on property taxes and was sued by federal regulators seeking to recoup millions of dollars in loans from a failed bank where he served as a director. Across the ocean, three Indian banks forced him into U.S. bankruptcy, and he was charged with bank fraud.

More story - <http://www.freerepublic.com/focus/f-news/1890452/posts>

HELD: IRS DID NOT ABUSE DISCRETION IN REJECTING OFFER-IN-COMPROMISE

In response to an IRS notice of recording a tax lien for \$345,145 in delinquent taxes, the taxpayers, aged 66 and 64 years respectively, filed a request for a due-process hearing under 26 U.S.C. § 6330.

An offer-in-compromise the taxpayers made at their due-process hearing was rejected by the appeals officer based on her determination that the amount offered was substantially less than the IRS could collect over a 48-month period*, when income and adjusted values of assets were considered.

Among other things the appeals officer disagreed with the taxpayers' appraisal of the value of their home as shown on the Forms 656 and 433-A. The taxpayers' valuation of the home at only \$164,713 was considerably lower than the value fixed by the County Tax Assessor's Office (Calavares County, California), which was pegged at \$214,141 and on which the appeals officer based her valuation.

The appeals officer also adjusted the taxpayers' expenses downward, and their disposable income upward. Where the taxpayers offered \$60,400 in compromise settlement of the claim, the appeals officer asserted the actual collection value measured against income and assets was at least \$329,068 (after first asserting the figure of \$394,318 calculated on an erroneous basis of 77 months rather than 48; the 77 was the number of months remaining on the statute of limitations for collection).

On appeal to the Tax Court the taxpayers asserted that their serious health problems should have been given more weight, in terms of loss of income capacity as well as higher foreseeable medical expenses. They also argued that their tax problems arose from their status as victims of the notorious Hoyt fraud schemes**.

The Tax Court found that the appeals officer had considered all factors fairly. The Court pointed out that the issue was not so much whether the Tax Court agreed or disagreed with the appeals officer's conclusions based on the evidence, but rather whether in arriving at her conclusions, or handling the appeals process, the appeals officer was guilty of " ... abuse of discretion" based on whether or not her conduct was "arbitrary, capricious, or without sound basis in fact or law."

The Tax Court acknowledged little sympathy for the taxpayers' plea that they were victims in the Hoyt sham partnerships, saying "A compromise on that basis would place the government in the unenviable role of an insurer against poor business decisions by taxpayers, reducing the incentive for taxpayers to investigate thoroughly the consequences of transactions into which they enter. Reducing the risks of participating in tax shelters would encourage more taxpayers to run those risks, thus undermining rather than enhancing compliance with the tax laws."

The taxpayers also grounded their arguments on one of the "due-process" grounds under I.R.C. § 6330, that there were "less intrusive" alternative collection methods than recording a lien. However, in denying that ground the Court observed that the taxpayers had failed to articulate any "less intrusive" alternatives in their due-process



hearing, and thus there were no alternatives to consider.

Hubbart v. Commissioner of Internal Revenue, No. 18722-04L (U.S.T.C. 2/6/2007) (U.S.T.C., 2007)

* The 48-month guidelines is found at IRM § 5.8.5.5.

** For details on the Hoyt fraud saga, see United States v. Hoyt, 47 Fed. Appx. 834, 837 (9th Cir. 2002) and River City Ranches #1 Ltd. v. Commissioner of Internal Revenue (U.S.T.C., 2003).

2 BANKRUPTCY COURT TAX-FRAUD DECISIONS: ONE FRAUD, ONE NOT

NOT GUILTY OF ATTEMPTED TAX EVASION

The debtor/taxpayer was found not guilty of a willful attempt to evade or defeat the tax, which if found would have rendered the delinquent taxes non-dischargeable under 11 U.S.C. § 523(a)(1)(C).

The IRS argued that the delinquent taxes should be found nondischargeable in bankruptcy, citing the taxpayer's late filing of tax returns, and the sales proceeds of a home jointly owned by debtor and his non-debtor spouse were deposited in the wife's bank account. In finding for the debtor, the Court observed that the debtor experienced significant financial losses after investing in a bar, and there was no evidence that he enjoyed an opulent lifestyle at the expense of the IRS.

In re Pisko, 2007 WL 1097878 (Bkrcty.M.D.Fla. 2007).



GUILTY OF TAX EVASION

In this bankruptcy case the debtors, one a Harvard-educated plastic surgeon, were found to have engaged in multiple acts of willful tax evasion where they failed to pay taxes for many years, and engaged in deliberate "pre-bankruptcy planning" by dissipating nearly \$90,000 from their bank account and failed to disclosed the transfer of \$66,000 in sale proceeds from their town house within 90 days of filing the bankruptcy. In addition, the court observed that the debtors used a "nominee" business account and nominees to purchase motor vehicles, and engaged in lavish spending on luxuries, including fine dining, a home for the debtor-husband's parents, and private college tuition for their children.

In re Hamm, 2006 WL 3445574 (Bkrcty.S.D.Fla.).

SOME TAX-RELATED DOMAIN NAMES AVAILABLE

We have held the registration of several tax-related domain names for almost 10 years. However, our tax law firm is marketed as TaxJustice.com, and we have no current need for these others.

It seems to me someone out there could make good use of one or more of these. If you're interested, make an offer. It may become an auction, but you may be the only bid. We looking for at least \$950 but will consider any offer.



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E-mail your offers or questions to morgan@TaxJustice.com

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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 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
- Discharge in bankruptcy

Visit Morgan King's web site, TaxJustice.com, by clicking on his picture at right or below.

Or, e-mail him at morgan@TaxJustice.com

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