

# TABLE OF CONTENTS

## Volume 1

### CHAPTER 1

#### Assessment, Collection, Settlement and Litigation: An Overview of the Players and the Process

§ 1.01	Introduction . . . . .	1-11
[1]	Application of Law . . . . .	1-12
	[a] Breakdown of the Internal Revenue Code . . . . .	1-12
	[b] Legislative Process . . . . .	1-12
	[c] Regulations: Legislative or Substantive, Interpretative, and Procedural . . . . .	1-16
	[i] Proposed Regulations . . . . .	1-17
	[ii] Temporary Regulations . . . . .	1-17
	[iii] Final Regulations . . . . .	1-17
[2]	Revenue Rulings, Private Letter Rulings and Revenue Procedures . . . . .	1-17
	[a] Definitions . . . . .	1-19
	[b] Judicial Deference . . . . .	1-20
	[c] IRS Pilot Program to Fast-Track Corporate Letter Rulings . . . . .	1-21
[3]	Code of Federal Regulations . . . . .	1-24
[4]	Internal Revenue Bulletin and Cumulative Bulletin . . . . .	1-24
[5]	General Counsel Memoranda . . . . .	1-25
[6]	Technical Advice Memoranda . . . . .	1-25
[7]	Generic Legal Advice Memoranda . . . . .	1-26
[8]	Action of Decision . . . . .	1-26
[9]	Chief Counsel Notices . . . . .	1-27
[10]	Compliance Officer Memoranda . . . . .	1-27
[11]	District Counsel Advice . . . . .	1-28
[12]	Field Directives . . . . .	1-28
[13]	Field Service Advice . . . . .	1-28
[14]	Information Letters . . . . .	1-28

## FEDERAL TAX LITIGATION

[15]	Legal Memoranda . . . . .	1-28
[16]	Litigation Guideline Memoranda . . . . .	1-29
[17]	Office Memoranda . . . . .	1-29
[18]	Reviewed Briefs . . . . .	1-30
[19]	Service Center Advice . . . . .	1-30
[20]	Closing Agreements . . . . .	1-30
[21]	Advance Pricing and Mutual Agreements Program . . . . .	1-30
[22]	Internal Revenue Service Publications . . . . .	1-31
[23]	Case Law . . . . .	1-31
	[a] Tax Court . . . . .	1-31
	[i] The Effect of Ballard . . . . .	1-32
	[ii] Rule 183 . . . . .	1-34
	[b] U.S. District Court and U.S. Court of Federal Claims . . . . .	1-34
	[c] Electronic Filing . . . . .	1-34.1
[24]	General Rules Concerning Deference . . . . .	1-34.2
	[a] Administrative Procedure Act . . . . .	1-34.2
	[b] <i>Mayo</i> Standard . . . . .	1-34.2
	[i] Administrative Procedure Act, Anti-Injunction Act, and IRS Reporting Requirement Notices . . . . .	1-34.5
	[c] History of Deference . . . . .	1-34.7
	[d] No Deference . . . . .	1-34.9
[25]	Circular 230 . . . . .	1-34.9
	[a] Circular 230 Regulations . . . . .	1-34.10
	[i] Individuals Authorized to Practice . . . . .	1-34.11
	[ii] Contingent Fees . . . . .	1-34.12
	[iii] Conflicting Interests . . . . .	1-34.13
	[iv] Sanctions . . . . .	1-34.13
	[v] Duty of Oversight . . . . .	1-34.14
	[vi] Disciplinary Proceedings Are Subject to the Administrative Procedure Act . . . . .	1-34.14
	[b] Category of Reportable Transaction for Patented Transactions . . . . .	1-34.16
	[c] Transitional Penalty Relief Provided to Tax Return Preparers . . . . .	1-34.17
	[d] Form 2848, Power of Attorney . . . . .	1-34.18
[26]	Privileged Communication and Work Product Doctrine . . . . .	1-34.19
	[a] Attorney-Client Privilege . . . . .	1-34.19
	[i] Legal Advice versus Business Advice . . . . .	1-34.23
	[ii] Tax Return Preparation . . . . .	1-34.23
	[iii] The Kovel Doctrine . . . . .	1-34.24
	[iv] Implied Waiver of the Privilege . . . . .	1-34.24
	[v] Crime Fraud Exception . . . . .	1-34.26

## TABLE OF CONTENTS

ix

	[b] Work Product Doctrine .....	1-34.27
	[c] Tax Practitioner and Client Privilege .....	1-34.29
	[d] Accountant or Audit Workpapers .....	1-34.29
	[i] Tax Reconciliation Workpapers .....	1-34.30
	[ii] Rule 301, AICPA .....	1-34.31
	[iii] Tax Accrual Workpapers .....	1-34.31
	[iv] Uncertainties After Textron .....	1-34.33
	[v] Practice Suggestions .....	1-34.36
	[e] Attorney Communications With Experts .....	1-34.37
	[f] <i>In Camera</i> Inspection .....	1-34.37
	[27] Adjustments without Audit .....	1-34.38
§ 1.02	Taxpayer Advocates, Problems Resolution, Taxpayer Services, and Identity Theft Unit .....	1-34.39
	[1] Problems Resolution .....	1-34.40
	[2] Taxpayer Services .....	1-34.40
	[3] Taxpayer Advocate and Form 911 .....	1-34.40
	[4] Identity Theft Unit .....	1-34.42
	[a] Form 14039, Identity Theft Affidavit .....	1-34.42
	[b] IRS Basics of Cyber Security and Data Protections .....	1-34.43
§ 1.03	Taxpayer Selection and Processing a Tax Return .....	1-34.45
	[1] Filing a Return with the Proper Campus .....	1-34.45
	[a] Campuses, Formerly Known as Service Centers .....	1-34.45
	[b] Where to File a Return .....	1-34.46
	[c] Electronic Filing of Returns and Forms .....	1-34.50
	[2] Discriminant Inventory Function System .....	1-34.51
	[3] Unreported Income .....	1-34.51
	[4] How to Obtain Copies of Documents Taxpayers Have Filed with the IRS .....	1-34.52
	[a] Tax Returns .....	1-34.53
	[b] Types of Transcripts .....	1-34.54
	[i] Account Transcript .....	1-34.55
	[ii] Master File Transcripts, “Tax Mod” .....	1-34.55
	[iii] W2/1099 Transcript .....	1-34.56
	[iv] Backup Withholding .....	1-34.56
	[c] Immediate Transcripts .....	1-34.57
	[i] Online Transcript Delivery System (TDS) .....	1-34.57
	[ii] Practitioner Priority Service Hotline .....	1-34.58
	[d] Home Affordable Mortgage Program Transcript Needs .....	1-34.58
	[e] Copies of Form W-2 .....	1-34.59
	[f] How IRS Credits Payments .....	1-34.60
	[g] Cash Payment Option .....	1-34.60
	[5] IRS Data Analytics, Generally .....	1-34.60

## FEDERAL TAX LITIGATION

	[a] Data Mining and Predictive Analytics . . .	1-34.63
	[b] Taxpayer Cautions . . . . .	1-34.65
	[6] Going Digital. . . . .	1-34.65
	[7] International Information Return Systemic Assessment . . . . .	1-34.66
§ 1.03A	The Structure of the IRS Follows a Taxpayer Classification System. . . . .	1-34.68
	[1] The Four Operating Divisions . . . . .	1-34.71
	[2] The Responsibilities and Structure of the Large Business and International Division (LB&I). . . . .	1-34.73
	[a] The Organizational Structure of LB&I . . .	1-34.74
	[i] Industry Director . . . . .	1-34.77
	[ii] Directors of Field Operations. . . . .	1-34.78
	[iii] Territory Managers . . . . .	1-34.78
	[iv] Team Managers. . . . .	1-34.78
	[v] Revenue Agents, Auditors, Revenue Officers. . . . .	1-34.78
	[b] Industry Issue Focus (IIF) . . . . .	1-34.79
	[c] Global High Wealth Industry Group . . . . .	1-34.81
	[d] Comprehensive Case Resolution Program (CCR) . . . . .	1-34.81
	[i] Eligibility Requirements for CCR Participation . . . . .	1-34.82
	[ii] Taxpayer Risks Associated with CCR. . . . .	1-34.82
	[e] Industry Issue Resolution Program (IIR). . . . .	1-36
	[f] Prefiling Agreement Program (PFA). . . . .	1-36
	[i] Eligibility Requirements to Participate in PFA Program . . . . .	1-37
	[ii] Content of the LMSB PFA Request . . . . .	1-37
	[iii] Filing the PFA. . . . .	1-41
	[iv] How the PFA Process Works. . . . .	1-41
	[v] Taxpayer Risks Associated with PFA . . . . .	1-41
	[g] Compliance Assurance Process (CAP) . . . . .	1-43
	[h] Mutual Accelerated Appeals Process (MAAP) . . . . .	1-44
	[i] Eligibility Requirements to Participate in MAAP. . . . .	1-44
	[ii] The MAAP Process . . . . .	1-44
	[iii] Risks Associated with MAAP . . . . .	1-44
	[i] Uncertain Tax Positions, “Schedule UTP”. . . . .	1-45
[3]	Responsibilities and Structure of the Small Business/Self-Employed Operating Division (SB/SE) . . . . .	1-46

**TABLE OF CONTENTS**

	[a]	Taxpayer Education and Communication (TEC) .....	1-46
	[b]	Customer Account Services (CAS) .....	1-46
	[c]	Compliance .....	1-46
	[d]	Structure .....	1-47
	[e]	Comparison of Small Business/ Self-Employed (SB/SE) Taxpayers to Large Business and International Taxpayers (LB&I) .....	1-47
	[f]	Contact Information for SB/SE Personnel .....	1-48
[4]		The Responsibilities and Structure of the Wage and Investment Operating Division (W&I) .....	1-49
	[a]	Communications, Assistance, Research, and Education (CARE) .....	1-49
		[i] Media and Publications .....	1-49
		[ii] Stakeholder Partnership Education and Communications (SPEC) .....	1-49
		[iii] Field Assistance .....	1-50
	[b]	Customer Account Services (CAS) .....	1-50
	[c]	Compliance .....	1-50
	[d]	Contact Information for W&I Personnel .....	1-50
[5]		The Responsibilities and Structure of the Tax Exempt and Government Entities Division (TE/GE) .....	1-50
	[a]	Employee Plans (EP) .....	1-51
	[b]	Exempt Organizations (EO) .....	1-52
	[c]	Government Entities (GE) .....	1-53
[6]		Office of Chief Counsel .....	1-53
§ 1.04		Assessment and Audit Examination Level .....	1-57
	[1]	Campus Conducts Correspondence Audits .....	1-57
	[2]	Unreported Income .....	1-58
		[a] Automated Information Statements Reconciliation .....	1-58
		[b] Balance Sheet Financial Analysis .....	1-59
		[c] Bank Deposit Analysis .....	1-59
		[d] e-Commerce Analysis .....	1-59
		[e] Industry or Market Specific Ratio Analysis .....	1-59
[3]		Random Audits via National Research Program .....	1-60
[4]		Examination Division in Each of the Four Divisions Conducts Office and Field Audits .....	1-60.1
	[a]	General Nature of Agents and Auditors .....	1-61
	[b]	Practical Considerations Concerning Internal Revenue Service Employee Operations .....	1-62

**FEDERAL TAX LITIGATION**

[5]	What to Expect During an Examination . . . . .	1-62
	[a] Substantiation and Recordkeeping Requirements . . . . .	1-62
	[b] Information Document Requests (“IDR”) . . . . .	1-63
	[c] Electronic Records . . . . .	1-64
[6]	Top Five Things to Keep in Mind During an Audit . . . . .	1-66
	[a] Waiver . . . . .	1-66
	[b] <i>Kovel</i> Doctrine . . . . .	1-66
	[c] Attorney Invoices . . . . .	1-66
	[d] Tax Opinions . . . . .	1-67
	[e] Accountant Work Papers . . . . .	1-67
[7]	Industry Specialization Program . . . . .	1-67
[8]	Market Segment Specialization Program . . . . .	1-68
[9]	Internal Revenue Service Information Gathering Resources . . . . .	1-69
[10]	Meeting with Agents/Auditors . . . . .	1-70.3
	[a] Agent/Auditor Disposition . . . . .	1-70.3
	[b] Recording Interviews . . . . .	1-71
	[c] Non-Lawyer Privilege . . . . .	1-71
[11]	“No Change” Letters Versus Adjustments . . . . .	1-72
[12]	Statute of Limitations . . . . .	1-72
	[a] Financial Disability . . . . .	1-73
	[b] Collection . . . . .	1-73
	[c] Interest and Penalties . . . . .	1-74
	[d] Suspension of Interest on Underpayments . . . . .	1-74
[13]	Extending the Statute of Limitations for Tax Assessment . . . . .	1-75
	[a] Form 872-A, Special Consent to Extend Time to Assess . . . . .	1-75
	[b] Situations Triggering Six-Year Statute of Limitations . . . . .	1-76
[14]	Revenue Agent Report . . . . .	1-77
	[a] Adjustments . . . . .	1-77
	[b] Conference with Team Manager . . . . .	1-77
	[c] Disputing an Adjustment . . . . .	1-78
	[i] Thirty-Day Letter . . . . .	1-78
	[ii] Formal Protest to District Director . . . . .	1-79
	[d] Notice of Deficiency/Ninety-Day Letter . . . . .	1-80
	[e] Rescission of Notice of Deficiency . . . . .	1-80
§ 1.05	Collection Division . . . . .	1-82
	[1] Special Procedures Staff . . . . .	1-82
	[2] Revenue Officers . . . . .	1-82
	[3] Private Debt Collectors . . . . .	1-82.2
	[4] Passport Revocation . . . . .	1-82.4
§ 1.06	Early Referral Program: Examination/Collection to the Appeals Division . . . . .	1-82.6

**TABLE OF CONTENTS**

xiii

[1]	Mechanics of the Early Referral Program . . . . .	1-82.6
	[a] Written Request . . . . .	1-82.6
	[b] Instances Where Early Referral Request Will Be Rejected . . . . .	1-82.7
[2]	Procedures After Internal Revenue Service Approval of Early Referral Request . . . . .	1-82.7
[3]	Offer in Compromise, Form 656 . . . . .	1-82.8
	[a] Down Payment . . . . .	1-82.9
	[b] Partial Payments with Submission of Offers-in-Compromise . . . . .	1-82.9
	[c] Lump-Sum Offer . . . . .	1-82.35
	[d] Periodic Payment Offer . . . . .	1-82.35
	[e] Compliance a Prerequisite . . . . .	1-82.35
	[f] Requirements for Submission of Offer-in-Compromise . . . . .	1-82.36
	[g] Doubt as to Collection Potential of Tax Liability . . . . .	1-82.39
	[i] Verification of Form 433-A/433-B . . . . .	1-82.39
	[ii] Calculating Value . . . . .	1-82.41
	[iii] Calculating Future Income and Basic Living Expenses . . . . .	1-82.41
	[iv] Dissipation of Assets Rule . . . . .	1-82.42
	[h] Doubt About Existence of Liability and/or Correct Amount of Tax Liability . . . . .	1-82.43
	[i] Promotion of Effective Tax Administration . . . . .	1-82.43
	[j] Fresh Start Initiatives . . . . .	1-82.43
[4]	Review of Form 656 and Form 443-A/ Form 443-B . . . . .	1-82.45
	[a] Missing or Additional Information . . . . .	1-82.46
	[b] Evaluation of an Offer . . . . .	1-82.46
[5]	IRS View Regarding Negotiation of an Acceptable Offer . . . . .	1-82.47
[6]	Combination Offers . . . . .	1-82.50
[7]	“Currently Uncollectible” Status . . . . .	1-82.50
[8]	Streamlining the Processing of an Offer . . . . .	1-82.51
	[a] Analysis of Information . . . . .	1-82.51
	[b] Amendments to Offer . . . . .	1-82.52
	[c] Procedures for Acceptance/Rejection of the Offer . . . . .	1-82.53
[9]	IRS Reopening Case Post-Acceptance . . . . .	1-82.53
	[a] Not in the Best Interest of the Government . . . . .	1-82.53
[10]	Appealing a Denied OIC . . . . .	1-82.54
[11]	Criminal Tax Convictions . . . . .	1-82.55
§ 1.07	Appeals Division . . . . .	1-82.56
	[1] Structure of the Appeals Division Under the 2018 Reorganization . . . . .	1-82.56

## FEDERAL TAX LITIGATION

[2]	Authority of Appeals Division . . . . .	1-82.62
[3]	Submitting a Written Protest to the Appeals Division . . . . .	1-82.63
[4]	Handling the Appeals Conference . . . . .	1-82.65
	[a] Presenting Evidence . . . . .	1-82.65
	[b] Participants . . . . .	1-82.66
	[c] Appeals Officer Preparation Prior to Conference . . . . .	1-82.66
	[i] Communication Between Agent and Appeals Officer . . . . .	1-82.67
	[ii] Documentation of Appeals and Agent Communication . . . . .	1-82.68
	[iii] Appeals Judicial Approach and Culture (“AJAC”) Project. . . . .	1-82.68
	[d] Recording the Conference with the Appeals Officer . . . . .	1-82.69
	[e] Virtual Appeals Pilot Program. . . . .	1-82.69
[5]	Settlement Positions in Negotiating with the Appeals Division . . . . .	1-82.70
	[a] Matters Where Settlement Is Not Possible . . . . .	1-82.70
	[b] Arguments and Concessions for Successful Negotiation. . . . .	1-82.70
	[i] Mutual Concession Settlement . . . . .	1-82.71
	[ii] Split Issue Settlement. . . . .	1-82.71
	[iii] Nuisance Value. . . . .	1-82.71
	[iv] Fast Track Settlement. . . . .	1-82.71
[6]	Evaluation of Settlement Prospects by Appeals . . . . .	1-82.72
	[a] Issue Orientation. . . . .	1-82.72
	[b] The <i>Golsen</i> Rule. . . . .	1-82.72
	[c] Hazards of Litigation . . . . .	1-82.73
[7]	Tactics to Follow Upon Tentative Agreement . . . . .	1-82.73
[8]	Alternative Dispute Resolution. . . . .	1-82.74
	[a] Mediation and the Appeals Division . . . . .	1-82.74
	[i] Cases Where Mediation Should Be Considered. . . . .	1-82.75
	[ii] Initiating Mediation. . . . .	1-82.75
	[iii] Authority of Mediator. . . . .	1-82.76
	[iv] Preparation for Mediation. . . . .	1-82.76
	[b] Fast Track Mediation and the Appeals Division . . . . .	1-82.76
	[i] Case Where Fast-Track Mediation Should Be Considered . . . . .	1-82.77
	[ii] Initiating Fast-Track Mediation. . . . .	1-82.78
	[iii] Authority of the Fast Track Mediator . . . . .	1-82.78
	[c] Arbitration and the Appeals Division . . . . .	1-82.79



## TABLE OF CONTENTS

xv

	[i] Case Where Arbitration Should Be Considered . . . . .	1-82.79
	[ii] Initiating Arbitration . . . . .	1-82.80
	[iii] Authority of the Arbitrator . . . . .	1-82.81
	[d] Appeals Mediation Program . . . . .	1-82.81
[9]	Collection Due Process Hearings . . . . .	1-82.82
	[a] Administrative Procedures and Requirements . . . . .	1-82.82
	[b] Hearing Procedures . . . . .	1-82.83
	[i] Taxpayer Challenges . . . . .	1-82.84
	[ii] Notice of Determination . . . . .	1-82.85
	[iii] Seeking Judicial Review of a CDP Notice of Determination . . . . .	1-82.86
	[c] Consequences of Frivolous CDP Hearing Requests . . . . .	1-82.86
[10]	CDP Hearing Appeals to Tax Court . . . . .	1-82.87
	[a] Jurisdictional Requirements . . . . .	1-82.87
	[b] Abuse of Discretion Standard: Procedural and Substantive IRS Errors . . . . .	1-82.87
	[c] Request for Reconsideration of Assessment(s) . . . . .	1-82.89
[11]	Installment Agreements . . . . .	1-82.90
	[a] Form 9465-FS, Installment Agreement Request . . . . .	1-82.93
	[b] Full Payment within 120 Days . . . . .	1-82.93
	[c] Guaranteed Installment Agreement . . . . .	1-82.94
	[d] Processing Time and Agreement Terms . . . . .	1-82.94
	[e] Installment Agreements and Small Businesses . . . . .	1-82.94
	[f] Modifying or Terminating an Installment Agreement . . . . .	1-82.95
	[g] The Job Creation and Worker Assistance Act Amendment Suspends Collection . . . . .	1-82.95
	[h] Effect of Bankruptcy . . . . .	1-82.95
	[i] Abuse of Discretion . . . . .	1-82.96
[12]	Streamlined Online Payment Agreement Application . . . . .	1-82.96
	[a] Process . . . . .	1-82.97
	[b] Fees . . . . .	1-82.97
	[c] Changes to Tax Lien Thresholds . . . . .	1-82.98
	[i] Direct Debit Installment Agreements and Liens . . . . .	1-82.99
	[ii] Fresh Start Initiative Adjustments to IRS Lien Policies . . . . .	1-82.99
	[d] Passport Applicants . . . . .	1-82.99
§ 1.07A	IRS Independent Office of Appeals . . . . .	1-82.101
§ 1.08	Economic Substance Doctrine . . . . .	1-82.103
	[1] Judicial History . . . . .	1-82.103

## FEDERAL TAX LITIGATION

	[2]	2010 Codification and Penalties.....	1-82.106
	[3]	Notice 2014.....	1-82.109
§ 1.08A		Sham Transaction Doctrine.....	1-82.110
§ 1.08B		Substance Over Form Doctrine.....	1-82.112
§ 1.08C		Step-Transaction Doctrine.....	1-82.114
	[1]	Binding-Commitment Test.....	1-82.114
	[2]	Interdependence Test.....	1-82.115
	[3]	End-Result Test.....	1-82.115
	[4]	Relationship of the Parties.....	1-82.116
§ 1.09		Other Sources.....	1-82.117
	[1]	Problem Resolution Contacts.....	1-82.117
	[2]	Account Related Inquiries.....	1-86
	[3]	Organizational Charts.....	1-88
	[4]	MSSP Audit Technique Guides.....	1-91
§ 1.10		Forms.....	1-92
	[1]	<i>Form 872</i> : Consent to Extend Time to Assess Tax.....	1-92
	[2]	<i>Form 872A</i> : Special Consent to Extend Time to Assess Tax.....	1-94
§ 1.11		“Fast” Act.....	1-96
§ 1.12		Virtual Currency Compliance.....	1-97
	[1]	“Educational” and Outreach Efforts.....	1-97
	[2]	Virtual Currency as Income.....	1-106
§ 1.13		Coronavirus Aid and Relief.....	1-108
	[1]	Deadlines Regarding Returns Extended.....	1-108
	[2]	IRS Operation Adjustments.....	1-111
		[a] Taxpayer Assistance.....	1-111
		[b] Get Transcripts Tools.....	1-112
	[3]	Erroneous or Suspicious Refunds.....	1-112
	[4]	Collections.....	1-112
		[a] Offers in Compromise and Installment Agreements.....	1-112
		[b] Taxpayer Hardship.....	1-112
	[5]	Coronavirus Relief, and Economic Security Act (“CARES Act”).....	1-112
	[a]	Paycheck Protection Program (“PPP”) ...	1-112.1
		[i] Eligibility.....	1-113
		[ii] Summary of PPP Loan Forgiveness Process.....	1-114
		[iii] Audit of PPP Application and Loan Use.....	1-117
		[iv] DOJ Prosecutions Regarding PPP loans.....	1-118
		[b] Employee Retention Credit.....	1-119
		[c] Payroll Tax Deferment.....	1-120
		[d] Expanded Use of Net Operating Losses...	1-120
		[e] Increased Deduction for Business Interest Expense.....	1-121

## TABLE OF CONTENTS

xvii

[f]	Refund for Corporate AMT . . . . .	1-121
[g]	Correction via Technical Amendment Regarding Qualified Improvement Property (“QIP”) . . . . .	1-121
[h]	Excise Tax Exemption for Hand Sanitizer . . . . .	1-122
[6]	“Economic Income Payments” aka Stimulus Payments . . . . .	1-122
[a]	Ineligible . . . . .	1-122
[b]	Refund Anticipation Loans (“RAL”) . . . . .	1-122
[c]	“Inadvertent” Payments . . . . .	1-123
[d]	Check the Status of Economic Impact Payments . . . . .	1-123
[7]	Retirement Withdrawals . . . . .	1-123
[a]	Mandatory Retirement Distribution . . . . .	1-123
[b]	Charitable Contributions . . . . .	1-123
[c]	Student Loan Repayment Benefits . . . . .	1-123
[8]	Simplified Federal Income Tax Return Filing Procedure For Individuals Not Required To File for Taxable Year 2021 . . . . .	1-124

## CHAPTER 1A

### Litigation

§ 1A.01	Introduction . . . . .	1A-4
[1]	Filing Deadline . . . . .	1A-5
[2]	Sealed Records . . . . .	1A-6
§ 1A.02	Burden of Proof . . . . .	1A-8
[1]	Credible Evidence . . . . .	1A-8
[2]	Standard of Review . . . . .	1A-10
§ 1A.03	Prohibited Positions for the Government . . . . .	1A-11
§ 1A.04	Federal Rules of Evidence . . . . .	1A-12
[1]	Scope . . . . .	1A-12
[2]	Purpose and Construction . . . . .	1A-13
[3]	Rulings on Evidence . . . . .	1A-13
[a]	Stipulation . . . . .	1A-14
[b]	Offer of Proof . . . . .	1A-15
[4]	Preliminary Questions . . . . .	1A-15
[5]	Limited Admissibility . . . . .	1A-16
[6]	Remainder of Related Writings or Recorded Statements . . . . .	1A-16
[7]	Judicial Notice . . . . .	1A-17
[8]	Presumptions in General in Civil Actions and Proceedings . . . . .	1A-22
[a]	Burden of Production and Burden of Persuasion . . . . .	1A-23
[b]	Effect of Burden of Proof . . . . .	1A-25

**FEDERAL TAX LITIGATION**

[9]	Applicability of State Law in Civil Actions and Proceedings . . . . .	1A-28
[10]	Relevant Evidence. . . . .	1A-28
[11]	Relevant Evidence Generally Admissible; Irrelevant Evidence Inadmissible. . . . .	1A-29
[12]	Rule 403: Exclusion of Relevant Evidence on Grounds of Prejudice, Confusion, or Waste of Time . . . . .	1A-29
[13]	Character Evidence Not Admissible to Prove Conduct; Exceptions; Other Crimes . . . . .	1A-31
[14]	Habit; Routine Practice. . . . .	1A-32
[15]	Compromise and Offers to Compromise. . . . .	1A-33
[16]	Inadmissibility of Pleas, Plea Discussions, and Related Statements . . . . .	1A-35
[17]	Privileges . . . . .	1A-35
	[a] Mechanics . . . . .	1A-36
	[b] Spoliation . . . . .	1A-36
	[c] Informer Privilege. . . . .	1A-36
	[d] Marital Privilege . . . . .	1A-37
	[e] Fifth Amendment . . . . .	1A-37
	[f] Attorney-Client Privilege . . . . .	1A-39
	[i] Corporations . . . . .	1A-40
	[ii] Others Employed by the Attorney. . . . .	1A-40
	[g] Waivers of the Attorney-Client Privilege. . .	1A-41
	[h] Non-Lawyer Privilege . . . . .	1A-42
	[i] Work Product Privilege . . . . .	1A-42
	[j] Governmental Deliberative Process Privilege . . . . .	1A-44
[18]	Rule 502: Inadvertent Disclosure. . . . .	1A-46
[19]	Rule 602: Lack of Personal Knowledge . . . . .	1A-47
[20]	Rule 603: Oath or Affirmation. . . . .	1A-48
[21]	Rule 607: Individuals Who May Impeach. . . . .	1A-48
[22]	Rule 608: Evidence of Character and Conduct of Witness . . . . .	1A-50
[23]	Rule 609: Impeachment by Evidence of Conviction of Crime . . . . .	1A-50
[24]	Rule 610: Religious Beliefs or Opinions. . . . .	1A-52
[25]	Rule 612: Writing Used to Refresh Memory. . . . .	1A-52
[26]	Rule 615: Exclusion of Witnesses . . . . .	1A-53
[27]	Rule 701: Opinion Testimony by Lay Witnesses . . . . .	1A-56
	[a] Rule 702: Testimony by Experts . . . . .	1A-58
	[b] Rule 703: Bases of Opinion Testimony by Experts . . . . .	1A-61
	[c] Rule 704: Opinion on Ultimate Issue . . . . .	1A-62
	[d] Rule 705: Disclosure of Facts or Data Underlying Expert Opinion . . . . .	1A-63
	[e] Rule 706: Court Appointed Experts . . . . .	1A-64

## TABLE OF CONTENTS

xix

	[f] Expert Report Requirements .....	1A-64
§ 1A.05	Hearsay .....	1A-67
	[1] Exceptions to the Hearsay Rule .....	1A-68
	[a] Prior Statement by Witness .....	1A-68
	[b] Admissions by a Party Opponent .....	1A-69
	[c] Co-Conspirator Statements .....	1A-71
	[2] Rule 802: Hearsay Rule .....	1A-72
	[3] Rule 803: Hearsay Exceptions; Availability of Declarant Immaterial .....	1A-72
	[a] State of Mind .....	1A-72
	[b] Recorded Recollection .....	1A-73
	[c] Business Record Exception .....	1A-73
	[d] Absence of Record .....	1A-77
	[e] Public Reports .....	1A-77
	[f] Absence of Public Record or Entry .....	1A-78
	[g] Statements in Documents Affecting an Interest in Property .....	1A-79
	[h] Reputation as to Character .....	1A-79
	[i] Judgment of Previous Conviction .....	1A-80
	[4] Rule 804: Hearsay Exceptions, Declarant Unavailable .....	1A-80
	[5] Rule 804(3)(b): Statement Against Interest .....	1A-83
	[6] Rule 805: Hearsay Within Hearsay .....	1A-85
	[7] Rule 806: Attacking and Supporting Credibility of Defendant .....	1A-86
	[8] Rule 807: Residual Exception .....	1A-86
§ 1A.06	Authentication .....	1A-90
	[1] Rule 901: Requirement of Authentication or Identification .....	1A-90
	[2] Rule 902: Self-Authentication .....	1A-91
	[a] Affidavit or Declaration .....	1A-91
	[b] Electronically Stored Information .....	1A-92
	[3] Originals Versus Duplicates .....	1A-93
	[4] Rule 1001: Definitions, Writings, Recording and Photographs .....	1A-93
	[5] Rule 1002: Requirement of Original .....	1A-94
	[6] Rule 1003: Admissibility of Duplicates .....	1A-95
	[7] Rule 1004: Admissibility of Other Evidence of Contents .....	1A-95
	[8] Rule 1006: Summaries .....	1A-96
	[9] Rule 1007: Testimony or Written Admission of Party .....	1A-97
	[10] Rule 1101: Applicability of Rules .....	1A-98
§ 1A.07	Refund Versus Protest Routes .....	1A-99
	[1] Subjective Application of Variance Doctrine .....	1A-99
	[2] Tax Court Gives the IRS Ability to Raise Additional Items of Deficiency .....	1A-101
	[3] Delegated Authority Concerning Tax Court Litigation .....	1A-101

**FEDERAL TAX LITIGATION**

§ 1A.08	Benefits and Burdens of Tax Court Versus Federal District Court . . . . .	1A-103
§ 1A.09	Federal District Court and Claims Court . . . . .	1A-105
§ 1A.10	United States Department of Justice Involvement. . . . .	1A-106
	[1] Settlement Possibilities . . . . .	1A-106
	[2] Delegation of Settlement Authority . . . . .	1A-106
	[3] Classification of Settlement Option Procedure or Standard . . . . .	1A-107
	[4] Amount at Issue Is Factor in Determining Level of Review. . . . .	1A-107
	[5] Path of an Offer at the Tax Division. . . . .	1A-109
	[a] Authority of Trial Section and Appellate Section Chief . . . . .	1A-109
	[b] Authority of Solicitor General . . . . .	1A-110
	[c] Authority of Assistant Attorney General . . . . .	1A-110
	[d] Authority of Deputy Attorney General . . . . .	1A-111
	[e] Involvement of the Joint Committee on Taxation . . . . .	1A-111
	[f] Authority of Office of Review . . . . .	1A-112
	[6] Submitting an Offer . . . . .	1A-112
	[7] Preservation of Evidence . . . . .	1A-112
	[a] Sanctions for Loss of Electronically Stored Information in Nonparty's Possession. . . . .	1A-113
	[b] Sanctions for Client's Spoliation . . . . .	1A-114
	[c] Form of Production . . . . .	1A-115
	[d] Requests to, and Motions to Compel, Inspection of Opponent's Computer/Hard Drive . . . . .	1A-116
	[e] Evidence Supporting Sanctions for Failure to Conduct Reasonable Inquiry and Intentionally Withholding Documents . . . . .	1A-117
	[f] Expert Testimony . . . . .	1A-119
	[g] Cautionary Examples . . . . .	1A-120
§ 1A.11	Rule 30(b)(6) Deposition . . . . .	1A-123
	[1] Background . . . . .	1A-123
	[2] Obligations . . . . .	1A-123
	[a] Party Issuing Rule 30(b)(6) Notice . . . . .	1A-123
	[b] Entity Responding to the Notice . . . . .	1A-123
	[3] Designation of Witness(es). . . . .	1A-124
	[4] Witness Preparation Required . . . . .	1A-126
	[5] E-Discovery. . . . .	1A-127
	[6] The Deposition . . . . .	1A-127
	[7] Privileged Communications . . . . .	1A-128
	[8] Potential Problems . . . . .	1A-129
	[a] Location. . . . .	1A-129
	[b] The Unprepared Witness . . . . .	1A-130
	[c] The Kitchen Sink Deposition. . . . .	1A-131

## TABLE OF CONTENTS

xxi

	[d] Manipulating Time Restrictions . . . . .	1A-131
	[e] Uncooperative Parties . . . . .	1A-132
§ 1A.12	Sample Notice of Deposition . . . . .	1A-135
§ 1A.13	Checklist, Rule 30(b)(6) Deposition Outline . . . . .	1A-139
§ 1A.14	Sample Memorandum Regarding Preservation . . . . .	1A-145

## CHAPTER 2

### Employment Taxes and the Trust Fund Recovery Penalty

§ 2.01	Introduction . . . . .	2-4
§ 2.02	Statutory Background . . . . .	2-7
	[1] Form 941 and Federal Tax Deposit . . . . .	2-7
	[2] Trust Fund . . . . .	2-10
	[3] Personal Liability . . . . .	2-10
	[4] Standard for Imposing Liability Under Section 6672 . . . . .	2-12
	[5] Limited Liability Company Members . . . . .	2-13
	[6] Non-Tax Business Purpose to Planning . . . . .	2-13
	[7] Immigration issues in Employment Tax . . . . .	2-14
	[a] Form I-9 “Employment Eligibility Verification” . . . . .	2-14
	[b] Penalties . . . . .	2-14
	[c] Reckless Indifference . . . . .	2-21
§ 2.03	Collection Division . . . . .	2-22
	[1] IRS Monitoring of Delinquent Businesses . . . . .	2-22
	[2] Investigation of Delinquent Trust Fund Taxes and/or Non-Compliance . . . . .	2-25
	[3] Procedures for Investigating Potential Section 6672 Penalty Assessment . . . . .	2-26
	[4] Preliminarily Establishing Who Are Responsible Persons . . . . .	2-26
	[5] When Third Parties Direct Payments to a Company’s Employees: Surety, Lender, Contractor . . . . .	2-28
	[6] Trust Fund Recovery Interviews . . . . .	2-29
	[7] Evidence that may Support a Recommendation to Assess Section 6672 Penalty . . . . .	2-30
§ 2.04	Defenses to the Section 6672 Penalty . . . . .	2-32
	[1] Transferring the Blame . . . . .	2-32
	[2] Lack of Authority . . . . .	2-32
	[3] Liability no Longer Exists . . . . .	2-32
	[4] Contributory Liability . . . . .	2-33
	[5] The Amount of the Assessment is Incorrect . . . . .	2-33
§ 2.05	Success of Collecting a Section 6672 Penalty . . . . .	2-34
§ 2.06	Revenue Officer’s Recommendation of Trust Fund Recovery Penalty Assessment . . . . .	2-36

**FEDERAL TAX LITIGATION**

	[1] Practitioner's Preliminary Analysis of the Recommendation . . . . .	2-36
	[2] Procedure Following Recommendation . . . . .	2-36
	[3] Form 656, Offer in Compromise . . . . .	2-37
	[4] Appeals Post-Mediation for Offer in Compromise and Trust Fund Recovery Penalty . . . . .	2-37
§ 2.07	Delaying an Investigation of Section 6672 Penalty . . . . .	2-39
§ 2.08	Installment Agreements . . . . .	2-41
	[1] Considerations for Installment Agreement with a Non-Business Taxpayer . . . . .	2-42
	[2] Considerations for an In Business Trust Fund Installment Agreement . . . . .	2-42.1
	[3] Taxpayer Compliance with the Installment Agreement . . . . .	2-42.3
§ 2.09	Collateral Agreement . . . . .	2-42.4
	[1] Purpose of Collateral Agreement . . . . .	2-42.4
	[2] Guidelines for Securing Collateral Agreements . . . . .	2-42.5
§ 2.10	Form 911, Application for a Taxpayer Assistance Order . . . . .	2-42.7
§ 2.11	Appeals Consideration . . . . .	2-42.8
§ 2.12	Procedures for Examination Division . . . . .	2-42.10
§ 2.13	Application of Payments and Collection of the Penalty . . . . .	2-42.11
	[1] Designated Payments . . . . .	2-42.11
	[2] Installment Agreements or Offers in Compromise . . . . .	2-42.11
	[3] Accounting for Payments, Abatements, and Adjustments . . . . .	2-42.13
	[a] Payments . . . . .	2-42.13
	[b] Involuntary or Undesignated Payments Involving Trust Fund Taxes . . . . .	2-42.13
	[c] Abatements and Adjustments . . . . .	2-42.13
§ 2.14	Claim for Abatement . . . . .	2-43
	[1] Procedures for Claim for Abatement . . . . .	2-43
	[2] Grounds for Abatement . . . . .	2-43
§ 2.15	Claim for Refund . . . . .	2-44
	[1] The Procedures for Filing a Claim for Refund . . . . .	2-44
	[2] Protective Claim for Refund . . . . .	2-44
	[3] Collection Activities Should Be Halted . . . . .	2-44
	[4] Discussing Settlement with the Tax Division Attorney . . . . .	2-45
§ 2.16	Litigating the Trust Fund Recovery Penalty . . . . .	2-46
	[1] Burden of Proof . . . . .	2-46
	[2] Mediation Jurisdictions . . . . .	2-47



## TABLE OF CONTENTS

xxiii

[3]	Factual Inquires Made by the Court in Determining Whether Liability Exists. . . . .	2-47
[4]	Defining a Responsible Person. . . . .	2-47
	[a] Scenarios of Persons Who Have Been Found Responsible by the Courts. . . . .	2-49
	[b] Delegation of Responsibility Is Not a Defense. . . . .	2-49
	[c] Bankruptcy Does Not Relieve Liability. . . . .	2-50
	[d] Significant Control Determines the Authority to Pay Taxes. . . . .	2-50
	[i] Significant Control. . . . .	2-51
	[ii] Embezzled Funds. . . . .	2-51
[5]	Defining Willfulness Under Section 6672. . . . .	2-51
	[a] What Constitutes Knowledge. . . . .	2-51
	[b] The Judicially Created Reasonable Cause Exception in Tenth Circuit. . . . .	2-54
	[c] Reckless Conduct May Equal Willfulness Under Section 6672. . . . .	2-54.1
	[d] Developments in Court of Federal Claims. . . . .	2-57
[6]	Liability for Delinquent Taxes. . . . .	2-57
[7]	Conducting Discovery. . . . .	2-58
[8]	Electronic Discovery Plan. . . . .	2-64
	[a] Document Retention Policy. . . . .	2-64.1
	[i] Taxpayer’s Preservation of Records. . . . .	2-64.1
	[ii] Consequences of Failing to Preserve Records. . . . .	2-64.2
	[b] Departing Employees’ Records. . . . .	2-64.2
	[c] Expenses of Electronic Discovery. . . . .	2-64.3
	[i] General Rule Regarding Expenses. . . . .	2-64.3
	[ii] Cost-Shifting of Expenses. . . . .	2-64.3
	[d] Some Courts Have Adopted Rules Regarding Electronic Discovery. . . . .	2-64.4
	[e] Sanctions for Breaches of Discovery Obligations. . . . .	2-64.5
	[i] Timely Production. . . . .	2-64.6
	[ii] Inadvertent Production and Waiver. . . . .	2-64.6
	[iii] Imposition of Civil and Criminal Sanctions. . . . .	2-64.7
[9]	Confusing Calculations Before a Jury. . . . .	2-64.7
[10]	Injunctive Relief. . . . .	2-64.8
§ 2.17	Advice a Practitioner May Give a Client to Minimize the Section 6672 Penalty. . . . .	2-65
§ 2.17A	Criminal Prosecution. . . . .	2-66
	[1] Standard for Criminal Prosecution. . . . .	2-66

	[2] Pyramiding . . . . .	2-67
§ 2.17B	Reasonable Compensation. . . . .	2-68
§ 2.18	Forms . . . . .	2-68.2
	[1] Collateral Agreement . . . . .	2-68.2
	[2] <i>Form 433-D</i> : Installment Agreement. . . . .	2-71
	[3] <i>Form 911</i> : Application for Taxpayer Assistance Order (ATAO). . . . .	2-72.4
	[4] <i>Form 4181</i> : Questionnaire Relating to Federal Trust Fund Tax Matters of Employees. . . . .	2-73
	[5] <i>Form 2674</i> : Report of Trust Fund Tax Violations. . . . .	2-74
	[6] <i>Form 4183</i> : Recommendation re Trust Fund Recovery Penalty Assessment. . . . .	2-76

## CHAPTER 3

### Worker Classification: Independent Contractor Versus Employee

§ 3.01	Introduction to Independent Contractor Misclassification. . . . .	3-3
	[1] IRS Motivational Factors . . . . .	3-5
	[a] The “Tax Gap” . . . . .	3-5
	[b] Information from Random Audits . . . . .	3-5
	[2] Substance of the Relationship is Key . . . . .	3-6
	[3] Tax Consequences of Misclassifying a Worker. . . . .	3-7
	[4] IRS Discovery of a Misclassification . . . . .	3-9
	[a] Ongoing Audit in the Examination Division . . . . .	3-9
	[b] Competitors and Former Workers as Information Sources. . . . .	3-9
	[c] Surprise Visits from the Collection Division . . . . .	3-9
	[d] Filing Form SS-8 . . . . .	3-9
§ 3.02	How to determine a Worker’s Status. . . . .	3-11
	[1] Service Industries are Often Targets for Worker Classification Scrutiny . . . . .	3-12
	[2] Attorneys and CPAs . . . . .	3-12
	[3] Twenty Factor Test. . . . .	3-13
	[a] Behavioral Control . . . . .	3-14
	[b] Financial Control . . . . .	3-15
	[c] Relationship of the Parties . . . . .	3-15
	[4] Judicial Scrutiny . . . . .	3-16
§ 3.03	Establishing Relief Under the Safe Harbor of Section 530. . . . .	3-18
	[1] Legislative History of Section 530. . . . .	3-19
	[2] Safe Harbor’s Filing Requirement . . . . .	3-19

**TABLE OF CONTENTS**

xxv

	[3] Workers in Substantially Similar Positions . . . . .	3-20
	[4] Published Rulings or Judicial Precedent . . . . .	3-20
	[5] Prior IRS Examination of the Business . . . . .	3-21
	[6] Industry Practice . . . . .	3-22
	[a] Defining “Significant” . . . . .	3-22
	[b] Defining “Long-Standing” . . . . .	3-23
	[c] Landlord-Tenant Analogy . . . . .	3-23
	[7] Other Reasonable Basis . . . . .	3-24
§ 3.04	Effect of Section 530 on Employees . . . . .	3-26
§ 3.05	Preliminary Procedures During an Audit Examination of the Worker Classification Issue . . . . .	3-27
	[1] Scheduling a Meeting with the Agent . . . . .	3-27
	[2] Settlement Negotiations with the Agent . . . . .	3-27
	[3] Negotiations with the Appeals Division . . . . .	3-29
	[4] Worker Reclassification Determination . . . . .	3-29
§ 3.06	Audit Examination Techniques . . . . .	3-31
	[1] The Agent’s Analysis—Four Distinct Steps . . . . .	3-31
	[a] Categories of Employees . . . . .	3-31
	[i] Common Law Standard . . . . .	3-32
	[ii] Corporate Officer . . . . .	3-32
	[iii] Statutory Employees . . . . .	3-32.1
	[b] Analysis of Information . . . . .	3-32.2
	[c] Inquiries to Prepare for in Audit . . . . .	3-32.2
	[2] Classification Settlement Program . . . . .	3-32.3
	[a] Qualifications for CSP Eligibility . . . . .	3-32.3
	[b] Computing CSP Standard Offer . . . . .	3-32.4
	[c] Prospective Worker Classification . . . . .	3-32.6
	[d] Exceptions to the Filing Requirements: Form 940/941 Non-filers . . . . .	3-32.6
	[e] Negotiating a CSP Settlement Offer . . . . .	3-32.6
	[i] Ensuring Future Compliance is a Consideration . . . . .	3-32.7
	[ii] Other Factors Affecting Agent’s Ability to Extend CSP Offer . . . . .	3-32.7
	[f] More than One Offer . . . . .	3-32.8
	[g] CSP Standard Closing Agreement . . . . .	3-32.8
	[h] CSP Offer Rejected or not Applicable . . . . .	3-32.8
§ 3.07	Audit Techniques Used to Determine if a Worker is an Employee or Independent Contractor . . . . .	3-33
	[1] Does the Business Qualify for Safe Harbor? . . . . .	3-33
	[2] Fact-Finding Investigation . . . . .	3-34
	[3] Adapting the Twenty Factor Test to the Case . . . . .	3-34
§ 3.08	Choosing a Forum for Litigation . . . . .	3-37
	[1] Preliminary Considerations of Litigation . . . . .	3-37
	[2] United States Tax Court . . . . .	3-38
	[a] Field Counsel and Appeals Division Authority over Cases . . . . .	3-38
	[b] Pleadings . . . . .	3-39
	[3] Expert Testimony . . . . .	3-40

**FEDERAL TAX LITIGATION**

	[4]	Factual Development is Most Important to Defeating the Government's Case . . . . .	3-40
		[a] Taxicab Industry Example . . . . .	3-41
		[b] Summary Judgment Possibilities . . . . .	3-41
		[c] Examination Before the Court Action . . . . .	3-42
§ 3.09		Planning to Survive Independent Contractor Scrutiny by the IRS . . . . .	3-44
	[1]	Written Agreement . . . . .	3-44
	[2]	Competitor/Industry Information . . . . .	3-45
	[3]	Form 4667, Examination Changes—Federal Unemployment Tax . . . . .	3-45
	[4]	Record Keeping . . . . .	3-45
	[5]	Document Practice Points . . . . .	3-46
§ 3.10		Source Material . . . . .	3-48
	[1]	Petition to United States Tax Court . . . . .	3-48
	[2]	<i>Form 4667</i> . . . . .	3-50

**CHAPTER 4****Jeopardy and Termination Assessments**

§ 4.01		Introduction to Jeopardy and Termination Assessments . . . . .	4-2
	[1]	Judicial Review . . . . .	4-3
	[2]	Taxes Subject to Jeopardy and Termination Assessments . . . . .	4-4
§ 4.02		IRS Investigation Prior to Making Assessment . . . . .	4-5
	[1]	Areas of Inquiry . . . . .	4-5
	[2]	Methods for Verification of Income . . . . .	4-5
	[3]	Review of Books and Records . . . . .	4-7
	[4]	Accounting Method . . . . .	4-7
	[5]	Mark-Up . . . . .	4-8
	[6]	Initial Interview Is Crucial to Setting the Focus of the Audit . . . . .	4-8
	[7]	Checklists of Issues for Which to Prepare the Client . . . . .	4-8
	[8]	Agent's Analysis . . . . .	4-12
§ 4.03		Procedures for Making a Jeopardy or Termination Assessment . . . . .	4-13
	[1]	Approval Authority . . . . .	4-13
	[2]	Recommendation for Jeopardy Assessment . . . . .	4-13
	[3]	Informing the Taxpayer of Assessment and Levying Assets . . . . .	4-14
		[a] Jeopardy and Termination Assessment Notices . . . . .	4-14
		[b] Jeopardy Levy Notice . . . . .	4-16
		[c] Collection Action . . . . .	4-18
	[4]	Service of the Notice . . . . .	4-18

## TABLE OF CONTENTS

xxvii

§ 4.04	Appeal Process . . . . .	4-19
	[1] Exhaust Administrative Remedy Requirement . . . . .	4-19
	[2] Appeals Division . . . . .	4-19
	[3] Arguments in Support of Abatement . . . . .	4-20
§ 4.05	Posting Bond to Stay Collection . . . . .	4-21
§ 4.06	Summary Judicial Review of Assessment . . . . .	4-22
	[1] Arranging Payment Pending Judicial Review . . . . .	4-22
	[2] Time Period Governing Judicial Review . . . . .	4-23
	[3] Standard for Judicial Review Under Code Section 7429 is the “Reasonableness” of the Assessment . . . . .	4-23
	[a] Defining Reasonableness . . . . .	4-24
	[b] Admissible Evidence for Purposes of Summary Review Under Code Section 7429 . . . . .	4-25
	[c] Example Illustrating Jeopardy Assessment Prerequisites . . . . .	4-26
	[d] Suggestions for Refuting Anticipated Government Arguments . . . . .	4-27
	[4] Second Inquiry of Code Section 7429 Summary Review is the Amount of the Assessment . . . . .	4-28
	[a] Taxpayer has the Burden of Establishing That the Amount Is Inappropriate . . . . .	4-28
	[b] Method Used by the IRS in Computing Assessment Amount . . . . .	4-29
	[5] District Court’s Determination Is Final and Not Open to Appeal . . . . .	4-30
§ 4.07	Complaint for Review of Jeopardy Assessment . . . . .	4-32

## CHAPTER 5

### Refunds, Credits, and Abatements

§ 5.01	Introduction . . . . .	5-4
§ 5.02	Procedural Requirements of Seeking a Refund or Credit . . . . .	5-5
	[1] Establishing the Existence of an Overpayment . . . . .	5-5
	[a] Re-Audit/Audit Reconsideration to Verify Overpayment . . . . .	5-6
	[b] Quick Refund or Credit Based on Tentative Carryback Adjustment . . . . .	5-7
	[2] Claim for Refund or Credit of Overpayment . . . . .	5-8
	[a] Formal Claim for Refund or Credit . . . . .	5-9
	[b] Informal Claim for Refund or Credit . . . . .	5-10
	[c] Protective Claims . . . . .	5-13
	[i] Refund or Credit . . . . .	5-13
	[ii] Capital Loss Carryovers . . . . .	5-14

**FEDERAL TAX LITIGATION**

[d]	Content of Claim for Refund or Credit (Formal, Informal, or Protective) . . . . .	5-15
	[i] Setting Forth the Grounds Supporting the Claim for Refund or Credit . . . . .	5-15
	[ii] Computations . . . . .	5-16
[e]	Amendments to Claim for Refund or Credit . . . . .	5-17
[3]	Time Period Limitation on Filing Administrative Claim . . . . .	5-19
	[a] Calculating the Time Period with Weekends . . . . .	5-19
	[b] Proof of Mailing . . . . .	5-20
	[c] Bad Debts and Worthless Securities . . . . .	5-21
	[d] Loss Carrybacks . . . . .	5-21
	[e] “Black Hole” Overpayments in the Second Circuit . . . . .	5-22
[4]	Determining When a Return is Considered Filed . . . . .	5-23
	[a] Agreement to Extend Limitations Period . . . . .	5-23
	[b] Suspension of Limitations for Filing Claim . . . . .	5-24
[5]	Limitations on Amount Allowed for the Refund or Credit . . . . .	5-24
[6]	Determining when Payment of Taxes Occurred . . . . .	5-24
[7]	IRS Processing of Claim for Refund or Credit . . . . .	5-25
	[a] Campus Processing . . . . .	5-26
	[b] Division Review . . . . .	5-26
[8]	Jurisdictional Requirements of Initiating a Refund Suit . . . . .	5-27
	[a] Establishing a Waiver of Sovereign Immunity . . . . .	5-29
	[b] Doctrine of Variance . . . . .	5-31
	[i] Taxpayer Need Not Raise All Arguments . . . . .	5-32
	[ii] Omitted Matter Affects the Amount of Recovery . . . . .	5-33
	[iii] Penalties or Interest Intertwined with Underlying Tax . . . . .	5-33
	[iv] Amending the Claim for Refund . . . . .	5-34
	[v] Government Has Waived Its Right to Assert the Variance Doctrine . . . . .	5-34
[c]	Burden of Proof . . . . .	5-35
[d]	<i>Form 4340</i> : Certificate of Assessment and Payments . . . . .	5-36

## TABLE OF CONTENTS

xxix

	[e] Service of Process . . . . .	5-36
	[f] Overpayment Interest . . . . .	5-37
	[g] Interest Netting . . . . .	5-37
	[9] Application of Judicially-Created Doctrines . . . . .	5-37
	[a] Economic Substance Doctrine . . . . .	5-38
	[b] Federal Circuit and Economic Substance Doctrine . . . . .	5-39
	[10] The Tucker Act and Tax Refund Suits . . . . .	5-41
§ 5.03	Abatement Claims . . . . .	5-42
	[1] Abatement of Taxes and Penalties . . . . .	5-42
	[2] Requirements for Abatement of Interest Claims. . . . .	5-43
	[a] Defining a Ministerial Act . . . . .	5-43
	[b] Time Period of Abatement . . . . .	5-44
	[c] Location for Filing Claim for Abatement . . . . .	5-44
	[d] Appeals Division . . . . .	5-45
	[i] Reconsideration of Claim Disallowed by Campus . . . . .	5-45
	[ii] Interest Abatement Coordinator . . . . .	5-45
	[iii] Method of Resolution of Claim for Abatement . . . . .	5-45
	[iv] Form 2297, Waiver of Statutory Notification of Claim Disallowance . . . . .	5-46
	[v] Pending Case in Appeals Division . . . . .	5-46
	[vi] Letter Sustaining Full Disallowance of Service Center Claim . . . . .	5-46
	[vii] Regional Director Involvement . . . . .	5-47
	[e] Tax Court Jurisdiction . . . . .	5-47
§ 5.04	Doctrines Which May Be Invoked to Effect the Period of Limitations . . . . .	5-49
	[1] Equitable Recoupment or Setoff . . . . .	5-49
	[a] Factors Necessary for Equitable Recoupment Doctrine to Apply . . . . .	5-51
	[b] Recoupment as a Counterclaim . . . . .	5-51
	[c] Doctrine of Unclean Hands . . . . .	5-52
	[2] Equitable Estoppel . . . . .	5-52
	[a] Elements of Estoppel . . . . .	5-53
	[b] Government Employee’s Actions or Representations . . . . .	5-54
	[c] Utilizing Accountant as Witness . . . . .	5-59
	[d] Asserting All Doctrines to Refute Statute of Limitations Bar . . . . .	5-59
	[e] Court’s Interest Is Not to Undermine Correct Enforcement of the Law . . . . .	5-60
	[f] Pre-Merger Doctrine Between Law and Equity . . . . .	5-60
	[3] Equitable Tolling of Statute of Limitations. . . . .	5-61

## FEDERAL TAX LITIGATION

[4]	Mitigation Provisions, Sections 1311 Through 1314 . . . . .	5-62.1
[a]	Definition of Final Determination . . . . .	5-62.2
	[i] Four Types of Actions . . . . .	5-62.2
	[ii] Date of Final Determination . . . . .	5-62.3
	[iii] Finality of a Court Decision . . . . .	5-62.4
	[iv] Finality of Closing Agreement . . . . .	5-62.4
	[v] Finality of Claim for Refund . . . . .	5-62.4
[b]	Correction of an Error in a Closed Year . . . . .	5-62.5
[c]	Position of the Successful Party . . . . .	5-62.5
[d]	Determination According to One of the Seven Circumstances in Section 1312 . . . . .	5-62.7
	[i] Section 1312(1) Double Inclusion of an Item of Income . . . . .	5-62.7
	[ii] Section 1312(2) Double Allowance of a Deduction or Credit . . . . .	5-62.8
	[iii] Section 1312(3) Double Exclusion of an Item of Gross Income . . . . .	5-62.8
	[iv] Section 1312(4) Double Disallowance of a Deduction or Credit . . . . .	5-62.9
	[v] Section 1312(5) Trusts, Estates, Legatees, Beneficiaries, and Heirs . . . . .	5-62.10
	[vi] Section 1312(6) Related Corporations . . . . .	5-62.10
	[vii] Section 1312(7) Basis Problems . . . . .	5-62.11
[e]	Related Taxpayer . . . . .	5-62.11
[f]	Determining the Amount of Adjustment After Mitigation Is Established . . . . .	5-62.12
[g]	Procedure to Follow for Obtaining Adjustment . . . . .	5-62.13
§ 5.05	Procedural Requirements for the IRS to Recover an Erroneous Refund . . . . .	5-62.14
	[1] Statute of Limitations for Bringing Suit . . . . .	5-62.14
	[2] Recovery of Interest . . . . .	5-62.14
	[3] Section 6676 Penalty . . . . .	5-62.15
	[4] Burden of Proof . . . . .	5-62.15
	[5] Deficiency Procedures in Lieu of Erroneous Refund Suit . . . . .	5-62.16
§ 5.06	Complaint for Tax Refund . . . . .	5-63
§ 5.07	Forms . . . . .	5-65
	[1] Instructions for Form 843 . . . . .	5-65
	[2] <i>Form 843: Claim for Refund and Request         for Abatement.</i> . . . . .	5-67



CHAPTER 6

Wrongful Levy

§ 6.01	Introduction . . . . .	6-2
§ 6.02	Third Party must Initiate Challenge Within Two Years of Date of Levy . . . . .	6-5
	[1] Two Year Period Applicable After December 22, 2017 . . . . .	6-5
	[2] Pre-December 22, 2017, Extension Period . . . . .	6-6
§ 6.03	Legal Standards Governing Adjudication of Wrongful Levy Action. . . . .	6-8
	[1] Burden of Proof . . . . .	6-8
	[2] Interpleader . . . . .	6-9
§ 6.04	Nominee and Alter Ego Theories. . . . .	6-10
	[1] Nominee Situations. . . . .	6-10
	[2] Alter Ego Situations . . . . .	6-10.2
	[3] Fraudulent Conveyance Situation. . . . .	6-12
§ 6.05	Transferee Theory of Liability . . . . .	6-16
	[1] Elements of Transferee Liability . . . . .	6-16
	[2] Proving Transferee Liability at Law . . . . .	6-17
	[a] Asserting Transferee Liability for Federal Estate Tax Liability . . . . .	6-18
	[b] Asserting Transferee Liability Under State Law . . . . .	6-18
	[c] Asserting Transferee Liability Under Contract. . . . .	6-18.1
	[d] Asserting Transferee Liability Based on Federal Statutory Law . . . . .	6-19
	[3] Asserting Transferee Liability at Equity . . . . .	6-20
	[a] Differences Between Elements of Proof for Action at Law Versus at Equity. . . . .	6-20.1
	[b] Additional Equity Remedy: Trust Fund Doctrine . . . . .	6-21
	[4] Definition of Transferee Under the Internal Revenue Code. . . . .	6-21
	[5] Transferee Acting as Fiduciary Can Be Liable for a Personal Penalty . . . . .	6-22
	[6] Transferee as Limited Liability Company Member . . . . .	6-22
	[7] Statute of Limitation for Transferee Liability. . . . .	6-23
	[a] Initial Transfer . . . . .	6-23
	[b] Subsequent Transfers and Transferees. . . . .	6-23
	[c] Transferor’s Actions Can Affect the Expiration of the Statute of Limitations for Assessment. . . . .	6-24

**FEDERAL TAX LITIGATION**

	[d] State Law's Assessment Period May also Affect the Expiration of the Statute of Limitations for Assessment . . . . .	6-25
	[e] Death of Transferor or Dissolution of Transferor . . . . .	6-25
	[f] Joint Tax Return Filing Affects Statute of Limitation for Transferee Spouse . . . . .	6-25
	[g] Tolling the Statute of Limitation . . . . .	6-25
	[h] Statute of Limitations for Actions Under Trust Fund Doctrine . . . . .	6-26
	[8] Procedures for Litigating the Transferee Liability . . . . .	6-26
§ 6.06	Defenses for Refuting an Assessment Based on Alter Ego/Nominee and Fraudulent Conveyance Theories . . . . .	6-26.1
	[1] Exercise of Dominion and/or Control . . . . .	6-26.1
	[2] No Record Assets . . . . .	6-27
	[3] Developing Evidence . . . . .	6-27
	[4] Relief Available . . . . .	6-29
§ 6.07	Third Parties and Section 1346(a)(1) Versus Section 7426 . . . . .	6-30
	[1] The Decision of <i>United States v. Williams</i> . . . . .	6-30
	[2] Wrongful Levy Exclusivity After <i>Williams</i> . . . . .	6-33
	[a] Lien Versus Levy Distinction . . . . .	6-33
	[b] Non-Voluntary Payment of Tax Liability . . . . .	6-34
	[3] Substance Versus Form of IRS Collection Activity . . . . .	6-34
	[4] Post- <i>Williams</i> Statutory Relief . . . . .	6-35
§ 6.08	Quiet Title, Wrongful Levy, and Real Property . . . . .	6-36

**CHAPTER 7****The Reasonable Cause Defense**

§ 7.01	The Reasonable Cause Defense . . . . .	7-2
	[1] Penalties . . . . .	7-4
	[a] Negligence Penalty . . . . .	7-4
	[i] Examples of Conduct That Can Cause Penalty to Be Assessed . . . . .	7-4
	[ii] Professional Advice, Experts . . . . .	7-6
	[iii] Bookkeeper's Negligence . . . . .	7-8
	[b] Frivolous Return Penalty . . . . .	7-8
	[c] Accuracy-Related Penalty . . . . .	7-8
	[i] Applicability . . . . .	7-11
	[ii] Penalty Amount . . . . .	7-12

## TABLE OF CONTENTS

xxxiii

	[d] Substantial Understatement Penalty . . . . .	7-13
	[e] Civil Fraud Penalty . . . . .	7-15
	[f] Fraudulent Failure to File Penalty . . . . .	7-16
	[g] Bad Check Penalty . . . . .	7-16
	[h] Estimated Tax Penalty . . . . .	7-16
	[i] Failure to Make Deposit of Taxes . . . . .	7-17
	[j] Failure to File a Timely Return or Pay Tax Due . . . . .	7-17
	[k] Failure to File Information Returns . . . . .	7-18
	[l] Failure to Report Tips . . . . .	7-27
	[m] Failure to Honor Levy . . . . .	7-28
	[2] Employment Taxes . . . . .	7-28
§ 7.02	Administrative Procedure and Assessment . . . . .	7-29
	[1] Establishing Reasonable Cause at the Revenue Agent/Audit Level . . . . .	7-31
	[2] Practical Planning for Escaping Assertion of Certain Penalties . . . . .	7-32
	[a] Techniques . . . . .	7-32
	[b] Substantial Understatement Penalty . . . . .	7-33
	[i] Non-Corporate Taxpayer . . . . .	7-33
	[ii] Corporate Taxpayer . . . . .	7-34
	[3] Alternatives for Disputing Penalty Recommendation . . . . .	7-34
	[4] Deductibility of Civil Tax Penalties . . . . .	7-34
§ 7.03	Establishing Reasonable Cause in Litigation . . . . .	7-36
	[1] Supreme Court Precedent . . . . .	7-36
	[2] Being Too Busy Does Not Establish Reasonable Cause . . . . .	7-37
	[3] Financial Instability May Establish Reasonable Cause . . . . .	7-39
	[4] Affirmative Action by Taxpayer to Comply with the Law Must Be Evidenced . . . . .	7-40
	[5] Burden of Proof . . . . .	7-40
	[6] Abatement . . . . .	7-41
	[a] Erroneous Written Advice of IRS . . . . .	7-41
	[b] First-Time Penalty Abatement . . . . .	7-41
	[7] Disclosure Statement . . . . .	7-42
§ 7.04	Developing the Case . . . . .	7-43
	[1] Checklists of Inquiries Concerning the Delinquencies . . . . .	7-43
	[2] Erroneous Calculation of the Assessment . . . . .	7-45
	[3] Common Considerations in Reviewing a Client's Case . . . . .	7-46
§ 7.05	Sample Complaint Requesting Recovery of Employment Tax Penalties . . . . .	7-47



# TABLE OF CONTENTS

## Volume 2

### CHAPTER 8

#### The Innocent Spouse Defense

§ 8.01	Innocent Spouse Defense .....	8-2
§ 8.02	Administrative Procedures .....	8-4
	[1] Filing Deadline .....	8-4
	[2] Nonrequesting Spouse's Right to Appeal .....	8-4
	[3] Collection Due Process Matters .....	8-4
§ 8.03	Theories of Innocent Spouse Relief .....	8-6
	[1] Innocent Spouse Relief .....	8-6
	[a] How to Figure the Understatement of Tax .....	8-6.1
	[b] Erroneous Items .....	8-6.1
	[c] Partial Relief in Proportion to Knowledge .....	8-7
	[d] Indications of Unfairness .....	8-8
	[e] Significant Benefit Received by the Spouse from the Wrongdoing Spouse ...	8-8
	[2] Separation of Liability .....	8-8
	[a] Consequences of Tax Avoidance Conduct .....	8-9
	[b] Effective Date of Election and Planning .....	8-10
	[c] Practical Example of Application of Separation of Liability .....	8-10
	[d] Calculation of Separation of Liability ...	8-11
	[i] Community Property Laws .....	8-12
	[ii] Worksheet for Figuring Innocent Spouse Relief Tax .....	8-13
	[3] Equitable Relief .....	8-13
	[a] Requirements of Equitable Relief .....	8-13
	[b] Application of Equitable Relief .....	8-15
	[c] Circumstances Under Which Relief Will Ordinarily Be Granted .....	8-15

**FEDERAL TAX LITIGATION**

	[d] Factors for Determining Whether Equitable Relief Will Be Granted . . . .	8-16
	[e] Streamlined Procedures . . . . .	8-17
	[f] Legislative History of Equitable Relief . . .	8-18
	[g] Summary of Requirements for the Three Theories of Relief . . . . .	8-18
§ 8.04	Alternatives to Litigation . . . . .	8-20
	[1] CDP Hearing . . . . .	8-20
	[2] Economic Hardship for Release of Levy . . . .	8-21
§ 8.05	Litigation . . . . .	8-22
	[1] Federal District Court and Federal Court of Claims . . . . .	8-22
	[2] Tax Court Review . . . . .	8-22
	[a] Acquiring Jurisdiction of the Tax Court . . .	8-23
	[b] Authority of Tax Court Over Collection Activities . . . . .	8-23
	[c] Notice Requirements to Former Spouse . . . . .	8-23
	[3] Bankruptcy Court . . . . .	8-24

**CHAPTER 9****Collection Activities Via the Tools of  
Liens and Levies**

§ 9.01	Introduction . . . . .	9-5
§ 9.02	Creation of the Federal Tax Lien . . . . .	9-6
	[1] An Overview of the Federal Tax Lien . . . . .	9-6
	[2] What Constitutes a Proper Assessment? . . . . .	9-7
	[3] What Constitutes a Proper Notice and Demand for Payment? . . . . .	9-8
	[4] Taxpayer's Failure to Pay Liability . . . . .	9-9
	[5] Filing of the Notice of Federal Tax Lien . . . .	9-9
	[6] Scope of the Federal Tax Lien . . . . .	9-13
	[a] The Government Stands in the Taxpayer's Shoes . . . . .	9-13
	[b] The Federal Tax Lien Attaches to After-Acquired Property . . . . .	9-13
	[c] State Exemptions and the Federal Tax Lien . . . . .	9-14
	[i] Joint Tenancy . . . . .	9-15
	[ii] Tenancy by the Entirety . . . . .	9-15
	[iii] Marital Property in Community Property State . . . . .	9-18
	[iv] Marital Property in Homestead Exemption State . . . . .	9-18.1
	[v] Registered Domestic Partners in Community Property States . . .	9-18.1

## TABLE OF CONTENTS

v

	[vi] Trusts .....	9-18.2
§ 9.03	Priority Issues .....	9-18.4
	[1] Two Step Inquiry .....	9-18.4
	[2] Federal Tax Lien Act of 1966 .....	9-19
	[3] State Law Considerations .....	9-20
	[4] Federal Law .....	9-21
	[5] Superpriorities and Instances Where Federal Tax Lien May Be Defeated .....	9-21
	[a] Statutory Prescribed Notice Must Be Given .....	9-22
	[i] Determining Priority of Interest in Securities .....	9-23
	[ii] Determining Priority of a “Purchaser” .....	9-24
	[iii] Determining Priority of a Judgment Lien Creditor .....	9-25
	[iv] Determining Priority of a Security Interest .....	9-28
	[v] Same-Sex Relationships .....	9-31
	[vi] Mechanic’s Lienor .....	9-31
	[vii] Miscellaneous Interests Which May Be Entitled to Priority over Federal Tax Lien .....	9-32
	[viii] Miscellaneous Interests Which Are Not Entitled to Priority over Federal Tax Lien .....	9-32.1
§ 9.04	Certificate of Subordination of Federal Tax Lien ....	9-33
	[1] Prerequisites for Certificate of Subordination ....	9-33
	[2] Obtaining Certificate of Discharge or Subordination .....	9-33
	[3] Investigation of Application for Discharge or Subordination .....	9-34
	[4] Issuing the Certificate of Discharge or Subordination .....	9-36
§ 9.05	Revocation of Certificates of Release of Federal Tax Lien .....	9-37
§ 9.06	Certificate of Nonattachment of Federal Tax Lien ...	9-39
§ 9.07	Withdrawal of the Filed Notice of Federal Tax Lien ...	9-40
	[1] Content of the Request for a Withdrawal ....	9-40
	[2] Instances Where a Request for Withdrawal Should Be Submitted .....	9-41
	[3] Notice of Lien Withdrawal Will Facilitate Collection of the Tax Liability .....	9-42
	[4] Withdrawal Based on the Best Interests of the Government and Taxpayer .....	9-42
	[5] Installment Agreements and the Notice of Withdrawal .....	9-43
	[6] Withdrawal May Be Issued Without Taxpayer Intervention .....	9-43

## FEDERAL TAX LITIGATION

	[7] Credit Report Concerns .....	9-43
§ 9.08	The Special Liens for Estate and Gift Taxes.....	9-45
	[1] Special Estate Tax Lien .....	9-45
	[a] Property Subject to the Special Estate Tax Lien.....	9-45
	[b] Divestment of Property from the Special Estate Tax Lien .....	9-46
	[c] Discharge of Property from the Estate Tax Lien.....	9-47
	[d] Superpriorities and the Special Estate Tax Lien.....	9-48
	[2] Special Gift Tax Lien .....	9-48
§ 9.09	The Levy .....	9-49
	[1] IRS Procedures Prior to Issuing Notice of Levy .....	9-49
	[a] Procedures for Effective Service of the Notice of Levy.....	9-50
	[b] Notice of Levy Requirements and Pre-Levy Review .....	9-51
	[2] Duty and Consequences of the IRS Levy .....	9-52
	[3] Two Defenses to Failure to Honor Levy.....	9-53
	[4] The Nature and Extent of a Notice of Levy ...	9-54
	[a] The Effect of a Notice of Levy.....	9-55
	[b] Attaching the Levy.....	9-55
	[c] Levy Cannot Be Made During Suspension of Statute of Limitations .....	9-56
	[d] Levy May Not Be Made When Determined Uneconomical .....	9-56
	[e] Levy May Not Be Made on Date of Summons Appearance Date .....	9-56
	[5] Property Exempt from Levy.....	9-56
	[a] List of Property Exempt by Statute.....	9-57
	[b] Circumstances Allowing Levy on Exempt Property .....	9-58
	[6] Property Subject to a Levy.....	9-58
	[a] Bank Accounts .....	9-59
	[b] Wages and Salary .....	9-60
	[c] Retirement Accounts .....	9-61
	[d] Insurance Policies.....	9-62
	[e] Vehicles.....	9-62
	[f] Social Security .....	9-62
§ 9.10	Seizure and Sale of Property Subject to Federal Tax Lien or Levy.....	9-63
	[1] Notice of Seizure .....	9-63
	[2] Verifying Clear Title and Minimum Bid Price.....	9-63
	[3] Notice of Sale .....	9-64
	[4] Sale Conducted Within Ten to Forty Days of Notice of Sale .....	9-65



## TABLE OF CONTENTS

vii

	[5] Sale of Property Co-Owned with a Delinquent Taxpayer. . . . .	9-66
	[6] Appealing Seizure of Property. . . . .	9-66
	[7] Redemption. . . . .	9-66
	[a] Time Period for Redemption. . . . .	9-67
	[b] Certificate of Sale, Deed of Real Property After Sale. . . . .	9-67
	[c] IRS Records of Seizures and Sales. . . . .	9-67
§ 9.11	The Administrative Appeals Process. . . . .	9-68
	[1] Overview of the Administrative Appeals Process. . . . .	9-68
	[2] Collection Appeals Program. . . . .	9-69
	[a] Requesting an Appeal Through CAP. . . . .	9-69
	[b] Jurisdiction of CAP. . . . .	9-69
	[3] Collection Due Process Hearing. . . . .	9-70
	[a] Deadline for Requesting a Collection Due Process Hearing. . . . .	9-70
	[b] Requesting a Collection Due Process Hearing. . . . .	9-71
	[c] Hearing Issues. . . . .	9-71
	[d] Judicial Review of Determination. . . . .	9-72
	[e] Suspension of Collection and Statute of Limitation. . . . .	9-72
	[f] Examples of Taxpayer Situations Where Tax Court Rejected IRS Action. . . . .	9-72.1
	[i] Business Taxpayer’s Financial Hardship Beyond the Taxpayer’s Control. . . . .	9-72.1
	[g] Simultaneous CAP and CDP Requests. . . . .	9-72.2
§ 9.12	Judicial Proceedings of Tax Liens or Levies. . . . .	9-74
	[1] Reducing Assessments to Judgment and Government Foreclosure Action. . . . .	9-74
	[a] Reduce Assessments to Judgment. . . . .	9-74
	[b] Judicial Foreclosure. . . . .	9-74
	[2] Non-government Lienholder Seeking Foreclosure and Discharge of Property from Lien. . . . .	9-74.1
	[a] Government’s Right to Redemption of Property. . . . .	9-74.1
	[b] Procedures for Sale of Property. . . . .	9-74.2
	[c] Request to Release Right to Redeem Property. . . . .	9-74.2
	[3] Interpleader. . . . .	9-74.2
	[4] Declaratory Judgment. . . . .	9-75
	[5] Quiet Title. . . . .	9-76
	[a] Non-Liable Third Party Lienor as Plaintiff. . . . .	9-76
	[b] Delinquent Taxpayer as Plaintiff. . . . .	9-77

	[6]	Injunctions . . . . .	9-79
	[7]	Writ of Entry . . . . .	9-81
	[8]	United States' Right of Intervention . . . . .	9-81
§ 9.13		Challenging the Validity of a Federal Tax Lien . . . . .	9-82
	[1]	Checklist of Issues on IRS Procedures for Issuing a Federal Tax Lien . . . . .	9-82
	[2]	Record Retention . . . . .	9-82

## CHAPTER 10

### Tax Return Preparers and Tax Shelter Promoters

§ 10.01		Introduction . . . . .	10-4
	[1]	Ministerial Violations . . . . .	10-5
		[a] Preparer Tax Identification Number . . . . .	10-5
		[b] Best Practices . . . . .	10-5
	[2]	Uncertain Tax Positions . . . . .	10-6
	[3]	Tax Preparer Due Diligence Penalty . . . . .	10-7
§ 10.02		Overview of Preparer Penalties and Standards of Conduct . . . . .	10-8.1
	[1]	Who May Qualify as a Return Preparer Under the Internal Revenue Code? . . . . .	10-8.1
		[a] Exclusions . . . . .	10-10
		[b] Four Categories of Potential Liability under Section 6694 . . . . .	10-10
	[2]	Disclosure Rules and Standards . . . . .	10-11
	[3]	Preparer Penalty Standards Under the Emergency Economic Stabilization Act of 2008 . . . . .	10-12
	[4]	Negligence . . . . .	10-12.3
	[5]	Willful Conduct . . . . .	10-12.4
	[6]	Fraud . . . . .	10-12.6
§ 10.03		Assessment and Appeal Procedures of Preparer Penalties . . . . .	10-12.6
	[1]	Assessment and Appeal Rights . . . . .	10-12.6
		[a] Preparer Penalty Assessment Procedures . . . . .	10-12.6
		[b] Appeal Procedures Concerning Preparer Penalties . . . . .	10-12.6
	[2]	IRS Development of the Section 6694 Penalty Examination and Assessment . . . . .	10-14
	[3]	Evaluation of Whether Substantial Authority Penalty Applies . . . . .	10-15
	[4]	Examples of the Section 6694(a) Penalty Application . . . . .	10-17
	[5]	Reckless or Intentional Disregard . . . . .	10-20

## TABLE OF CONTENTS

ix

[6]	Understatement of Liability . . . . .	10-20
	[a] Degree of Verification of Client Information. . . . .	10-21
	[b] Abatement of Preparer Penalty . . . . .	10-22
[7]	Unrealistic Position. . . . .	10-22
	[a] One-in-Three Rule . . . . .	10-22
	[b] Correlation to Substantial Authority Test . . . . .	10-22
[8]	Examples of the Section 6694(b) Penalty Application . . . . .	10-23
[9]	Circumstances Where Preparer Is Subject to Multiple Penalties. . . . .	10-24
[10]	Statute of Limitations . . . . .	10-24
§ 10.04	Overview of the Return Preparer Penalty Program. . .	10-26
	[1] Program Structure . . . . .	10-26
	[2] Penalty Screening Committee. . . . .	10-27
	[3] Role of the Return Preparer Coordinator. . . . .	10-27
	[4] Role of Revenue Agent or Auditor . . . . .	10-27
§ 10.05	Program Action Cases. . . . .	10-29
	[1] Return Preparer Coordinator's Recordkeeping . . . . .	10-29
	[2] Return Sampling . . . . .	10-29
	[3] Interviews with the Clients of the Subject Tax Preparer . . . . .	10-30
	[4] Accuracy Related Penalty and Reasonable Cause and Good Faith Defense. . . . .	10-31
§ 10.06	Preparer Defenses . . . . .	10-32
	[1] Adequate Disclosure Defense. . . . .	10-32
	[a] Signing Preparers . . . . .	10-32
	[b] Nonsigning Preparers . . . . .	10-34
	[i] Advice to Taxpayer and Disclosure Regarding Realistic Possibility Standard. . . . .	10-34
	[ii] Advice to Another Preparer and Disclosure Regarding Realistic Possibility Standard. . . . .	10-35
	[iii] Advice to Taxpayer and Disclosure Regarding Position Contrary to Rule or Regulation . . . . .	10-35
	[iv] Advice to Another Preparer and Disclosure Regarding Position Contrary to Rule or Regulation . . . . .	10-36
	[2] Substantial Authority Defense . . . . .	10-36
	[3] Reasonable Cause/Good Faith Defense . . . . .	10-36
	[4] Reduction of Amount Assessed Where Both Penalties Under Sections 6694(a) and 6694(b) Apply . . . . .	10-38
§ 10.07	Electronic Filing Program. . . . .	10-38.1

## FEDERAL TAX LITIGATION

	[1] What is the Electronic Program? . . . . .	10-39
	[2] Obligations of an Electronic Filer Participant. . . . .	10-40
	[3] Penalties for Preparer's Noncompliance with the Electronic Filing Program Obligations . . . . .	10-41
	[a] Disclosure or Use of Information . . . . .	10-41
	[b] Preparer Penalties Against Electronic Filers Under Sections 6694, 6695, and 6713. . . . .	10-41
	[c] Penalty in Connection with Refund Anticipation Loans. . . . .	10-42
	[4] IRS Monitoring of Electronic Filers . . . . .	10-43
	[a] Electronic Filer Activities Monitored by the IRS . . . . .	10-43
	[b] Procedures for Suspending Electronic Filer from the Electronic Filing Program . . . . .	10-43
	[c] Administrative Appeals of Suspension, Revocation, or Denial of Participation in Electronic Filing Program. . . . .	10-44
	[5] Director of Practice. . . . .	10-44
§ 10.08	Litigation Involving the Preparer Penalties . . . . .	10-45
	[1] Injunction. . . . .	10-45
	[2] Refund Suits and Burden of Proof. . . . .	10-47
	[3] Disgorgement . . . . .	10-48
§ 10.09	Practical Methods for Developing a Defense in a Preparer Case . . . . .	10-49
	[1] Factual Development . . . . .	10-49
	[2] Checklist of Criteria for Imposing the Section 6694(a) Penalty. . . . .	10-50
	[3] Summary Checklist of Criteria for Imposing the Section 6694(b) Penalty. . . . .	10-50
§ 10.10	Responsibilities and Penalties of Tax Shelter Promoters . . . . .	10-52
	[1] Registration Responsibilities, In General. . . . .	10-52.1
	[a] Registration Procedures . . . . .	10-53
	[b] Definition of Tax Shelter . . . . .	10-53
	[i] Tax Shelter, Generally . . . . .	10-55
	[ii] Section 6112, Potentially Abusive Tax Shelter . . . . .	10-56
	[iii] Summons Enforcement Developments . . . . .	10-56
	[iv] Special Requirements for Confidential Corporate Tax Shelter . . . . .	10-58
	[v] Examples of Criminal Investigation . . . . .	10-58
	[c] Significant Tax Avoidance Purpose. . . . .	10-63

**TABLE OF CONTENTS**

xi

	[d] Ordinary Course of Business Exception . . .	10-63
	[e] Reliance on Counsel. . . . .	10-64
[2]	List Retention Requirements of Promoters of Potentially Abusive Tax Shelters . . . . .	10-64
	[a] List Retention Requirements . . . . .	10-65
	[b] Organizer, Seller, Promoters . . . . .	10-65
	[c] Content of List . . . . .	10-65
[3]	Disclosures Requirements. . . . .	10-66
	[a] Categories of Reportable Transactions . . . . .	10-67
	[b] Disclosure Procedures . . . . .	10-67
	[i] Bad Faith. . . . .	10-67
	[ii] Penalties for Failing to Disclose a Transaction. . . . .	10-67
	[iii] Determining the Sufficiency of a Disclosure . . . . .	10-69
	[iv] Statute of Limitations for Assessments Relating to Listed Transactions . . . . .	10-70
	[c] Protections Afforded to Privileged Communications. . . . .	10-70
[4]	Promoters Have Affirmative Duty Not to Provide False Information . . . . .	10-71
[5]	Fees . . . . .	10-71
[6]	Automated Process for Certain Penalties in Listed Transaction Situations. . . . .	10-71
§ 10.11	Penalties for Failing to Comply with Code Requirements . . . . .	10-72.1
	[1] Penalty for Failure to Comply with Registration Process. . . . .	10-72.1
	[a] Responsibility for the Penalty . . . . .	10-72.1
	[b] Others Who May Be Assessed . . . . .	10-72.1
	[c] Knowledge of Proper Registration. . . . .	10-73
	[2] Calculation of the Penalty . . . . .	10-73
	[3] Protective Registration . . . . .	10-73
§ 10.12	Use of Lists by the IRS . . . . .	10-75
	[1] General Rule: Seven Year Retention Period. . . . .	10-75
	[2] How the IRS Uses the Lists. . . . .	10-75
	[3] Consequences of Noncompliance with List Retention Requirements . . . . .	10-75
§ 10.13	Lawyer As Witness. . . . .	10-77
§ 10.14	Unreasonable Conduct by the IRS . . . . .	10-78
§ 10.15	IRS Tax Shelter Controversies and Settlement Offers . . . . .	10-79
	[1] Syndicated Conservation Easements Transactions . . . . .	10-79
	[2] Micro-Captive Insurance Companies . . . . .	10-82

**FEDERAL TAX LITIGATION**

**CHAPTER 11**

**Recovering Monetary Damages from  
the Federal Government**

§ 11.01	Introduction . . . . .	11-2
§ 11.02	Disclosure of Tax Return Information . . . . .	11-3
	[1] Section 6103 . . . . .	11-4
	[2] Statutory Exceptions to Confidentiality Which Permit Disclosure of Tax Return Information . . . . .	11-6
	[3] Disclosure Made in Good Faith Is Not Actionable . . . . .	11-9
§ 11.03	Actual Damages . . . . .	11-10
	[1] Overview . . . . .	11-10
	[2] Establishing a Causal Relationship Between the Unauthorized Disclosure and the Actual Damage . . . . .	11-10
	[3] Establishing Proof of Causation . . . . .	11-11
	[4] Economic Loss as Element of Actual Damages . . . . .	11-12
	[5] Emotional Distress as an Element of Actual Damages . . . . .	11-14
	[a] Circumstances Where Taxpayer Is Awarded Damages for Emotional Distress . . . . .	11-15
	[b] Circumstances Where Taxpayer Has Been Denied Damages for Emotional Distress . . . . .	11-16
	[6] Physical Harm as an Element of Actual Damages . . . . .	11-17
§ 11.04	Punitive Damages . . . . .	11-18
	[1] In General . . . . .	11-18
	[2] View that Punitive Damages Are Recoverable Only When Actual Damages Are Proven . . . . .	11-18
	[3] View that Punitive Damages Award Does Not Require a Showing of Actual Damages . . . . .	11-19
	[4] Defining What Constitutes a Willful Disclosure . . . . .	11-20
	[5] Defining What Constitutes Gross Negligence . . . . .	11-20
	[6] Establishing Willful Disclosure and Gross Negligence for Punitive Damage Award . . . . .	11-21
§ 11.05	Recovery Under the Privacy Act of 1974 . . . . .	11-27
§ 11.06	Government's Right of Set-Off . . . . .	11-28
§ 11.06A	Whistleblower Awards . . . . .	11-28.1
	[1] IRS Processing of Whistleblower Claim . . . . .	11-28.1
	[2] Amounts of Awards and "Collected Proceeds . . . . .	11-28.2
	[3] Anonymity . . . . .	11-28.4

## TABLE OF CONTENTS

xiii

§ 11.07	Recovery for Damages for Failure to Timely Release a Federal Tax Lien . . . . .	11-29
§ 11.08	Recovery for Damages for Unauthorized Collection Actions . . . . .	11-31
§ 11.09	United States Must Be Named as a Defendant . . . . .	11-34
§ 11.10	Constitutional Torts . . . . .	11-35
[1]	Qualified Immunity Defense of Government Employees for Constitutional Violations . . . . .	11-35
[2]	No Relief When Other Remedies Are Available . . . . .	11-37
[3]	No Relief for Torts in the Assessment and Collection Context . . . . .	11-37
[4]	Factual Circumstances Where Relief Was Afforded for a Constitutional Tort . . . . .	11-37
§ 11.11	Recovery Pursuant to the Federal Tort Claims Act (FTCA) . . . . .	11-39
§ 11.12	No Right to Jury Trial in Actions Brought Under Sections 7432 and 7433 . . . . .	11-41

## CHAPTER 12

### Recovering Administrative and Litigation Expenses from the Government

§ 12.01	Introduction . . . . .	12-2
§ 12.02	Pre-Suit Review of Award for Administrative Costs . . . . .	12-4
[1]	Recovery of Costs Incurred . . . . .	12-4
[2]	Jurisdiction . . . . .	12-5
[3]	Procedures for Recovering Administrative Costs . . . . .	12-5
[4]	Filing Deadline for Recovery of Administrative Costs . . . . .	12-7
[5]	Time Period During Which Costs Are Recoverable . . . . .	12-8
[a]	Qualified Offer . . . . .	12-9
[b]	Qualified Offer Period . . . . .	12-9
[6]	Appeals Division Determination . . . . .	12-10
[7]	Settlement of Claims for Attorneys' Fees . . . . .	12-12
[a]	IRS Processing of Terms of Agreement . . . . .	12-12
[b]	Example of Agreement on Administrative Cost . . . . .	12-13
[c]	Computation of the Litigation and Administrative Cost Award . . . . .	12-14
[i]	Submission of Required Documentation and Information . . . . .	12-14
[ii]	Non-Attorney Fees . . . . .	12-16

**FEDERAL TAX LITIGATION**

§ 12.03	Appealing the IRS' Disallowance or Partial Disallowance of an Award	12-17
	[1] Procedures for Appeal	12-17
	[2] Section 6673	12-17
§ 12.04	Post-Litigation: Seeking Reasonable Litigation and Administrative Costs and Fees	12-19
	[1] Section 7430, in General	12-19
	[2] Defining Reasonable Administrative Costs	12-19
	[3] Defining Reasonable Litigation Costs	12-19
	[4] Qualifications for an Award	12-20
	[5] Examples	12-22
	[a] What Constitutes a "Substantially Justified" Position by the Government?	12-22
	[b] What Does Not Constitute a "Substantially Justified" Position by the Government?	12-23
	[6] Who Can Qualify as a Prevailing "Party" for Purposes of Recovering Litigation Expenses?	12-24
	[a] Estate as a Party	12-25
	[b] Debtor-in-Possession as a Party	12-25
	[c] Creditor of Delinquent or Challenging Taxpayer Is Not a Party	12-26
	[7] Exhausting Administrative Remedies	12-26.1
	[a] Participating in the Appeals Division Conference	12-26.2
	[b] Statement from IRS that Pursuit of Administrative Remedies Unnecessary	12-28
	[8] Unreasonably Protracting Proceedings	12-31
	[9] Determining Whether a Party is a Prevailing Party	12-32
	[10] Court Discretion in Award	12-38
	[11] Evidence Supporting Reasonable Litigation Fees Award	12-38
	[12] Burden of Proof	12-39
	[13] Suits Where Recovery of Reasonable Litigation Fees Should Be Sought	12-39
	[14] Determining Whether the United States Can Offset a Section 7430 Award	12-41
	[15] Recovering Attorneys' Fees in Bankruptcy Court	12-42
§ 12.05	Sanctions	12-42.1
	[1] Government Award of Fees as Sanction Against Taxpayer	12-42.1
	[2] Taxpayer Awarded Sanctions Against Government	12-43
	[3] Fraud on the Court	12-44



## TABLE OF CONTENTS

xv

§ 12.06	Practical Advice . . . . .	12-45
§ 12.07	Checklists . . . . .	12-47
	[1] Evidentiary Checklist for Recovery of Fees in Administrative Proceeding . . . . .	12-47
	[2] Evidentiary Checklist for Recovery of Fees in Civil Tax Litigation . . . . .	12-47

## CHAPTER 13

### Criminal Tax Investigations

§ 13.01	Introduction . . . . .	13-10
	[1] CID Structure . . . . .	13-10
	[2] Voluntary Disclosure Practice . . . . .	13-10.2
§ 13.02	Example of a Typical CID Investigation . . . . .	13-10.5
	[1] Phase One . . . . .	13-10.5
	[2] Phase Two . . . . .	13-10.5
	[3] Phase Three . . . . .	13-10.7
	[4] Phase Four . . . . .	13-11
	[a] Specific Item or Direct Method . . . . .	13-11
	[b] Bank Deposit Method . . . . .	13-11
	[c] Net Worth and Expenditures Method . . . . .	13-12
	[d] Taxpayer Should Be Given an Opportunity to Provide Needed Information . . . . .	13-13
	[5] Phase Five . . . . .	13-13
§ 13.03	The Structure and Purpose of CID . . . . .	13-14
	[1] General Duties . . . . .	13-14
	[2] Marijuana Businesses . . . . .	13-16
	[3] Offenses Investigated by CID . . . . .	13-18
	[a] Fraud . . . . .	13-18.1
	[b] Tax Evasion . . . . .	13-18.1
	[i] Defining Evasion of Tax . . . . .	13-19
	[ii] Proving Existence of a Tax Deficiency . . . . .	13-21
	[iii] <i>Boulware v. United States</i> . . . . .	13-23
	[iv] Avoidance of Tax Versus Evasion of Tax . . . . .	13-25
	[v] 2018 Marinello case: Conviction for Obstruction or Impeding Tax Administration Requires Knowledge Nexus . . . . .	13-25
	[c] Filing False Income Tax Return . . . . .	13-26
	[d] Willful Failure to File Return, Supply Information, or Pay Taxes . . . . .	13-27
	[e] Failure to Collect or Pay Over Taxes . . . . .	13-28
	[f] Fraud and False Statements . . . . .	13-29
	[g] Offers in Compromise . . . . .	13-30

**FEDERAL TAX LITIGATION**

	[i] Alleged Fraudulent Offers . . . . .	13-30
	[ii] Joint Investigations . . . . .	13-30.1
	[iii] Offers in Pending Criminal Investigations. . . . .	13-30.1
	[iv] Offer Post-Conviction. . . . .	13-30.2
	[h] Bank Secrecy Act Violations. . . . .	13-31
	[i] IRS Role . . . . .	13-31
	[ii] Treasury Summons . . . . .	13-32
[4]	Triggers for Criminal Investigation . . . . .	13-32.1
	[a] Gathering “Affirmation Indications of Fraud” During Civil Examination. . . . .	13-34
	[b] Suppression of Evidence Gathered in Civil Examination . . . . .	13-34
[5]	Special Agent Responsibilities . . . . .	13-34
	[a] Strike Force/Racketeer Program . . . . .	13-35
	[b] Activities Special Agents Can Engage in Prior to Investigation Being Officially Authorized. . . . .	13-36
[6]	Responsibilities of Service Center Criminal Investigation Branch. . . . .	13-36
[7]	Three Categories of Investigations Conducted by a Special Agent. . . . .	13-37
	[a] General Investigation . . . . .	13-37
	[i] Authorized General Investigation Techniques. . . . .	13-37
	[ii] Techniques Relating to Potential Fraudulent Refund Schemes. . . . .	13-37
	[b] Primary Investigations . . . . .	13-38
	[c] Subject Criminal Investigations. . . . .	13-38
	[i] Memorandum Recommending the Initiation of an Investigation . . . . .	13-38
	[ii] Group Manager’s Case Initiation Factors . . . . .	13-38.1
§ 13.04	Civil Audit/Assessment Pending Criminal Investigations . . . . .	13-38.2
	[1] Due Process Concerns . . . . .	13-38.2
	[2] Civil Versus Criminal Violations. . . . .	13-38.3
	[3] Civil Penalties that May Arise During Criminal Investigation . . . . .	13-38.4
	[4] Parallel Civil and Criminal Investigations. . . . .	13-38.6
§ 13.05	Taxpayer Information that May Be Disclosed by Special Agent in Conducting Investigation . . . . .	13-38.9
§ 13.06	Guidelines Special Agent Must Follow in Conducting Investigation . . . . .	13-40
§ 13.07	Fifth Amendment Privilege. . . . .	13-42
§ 13.08	<i>Miranda</i> Warning . . . . .	13-45
§ 13.09	Fourth Amendment . . . . .	13-46.1
	[1] Probable Cause . . . . .	13-46.1
	[2] Requirement of Particularity. . . . .	13-47

**TABLE OF CONTENTS**

xvii

[3]	Examination of the Scope and Execution	
	Method . . . . .	13-47
	[a] Mandated Recordings . . . . .	13-48
	[b] Duration of Recording . . . . .	13-48
	[4] Notice, Inventory Return . . . . .	13-48
	[5] Suppression and Standing . . . . .	13-49
	[6] Applicability of “Good Faith” Exception . . . . .	13-50
§ 13.09A	Privileged Communications/Documentation . . . . .	13-50.1
	[1] Attorney/Client Privilege . . . . .	13-50.1
	[2] Accountant/Client Privilege . . . . .	13-50.2
	[a] Section 7525 of the Internal Revenue Code . . . . .	13-50.2
	[b] Extension of Attorney/Client Privilege to Accountants . . . . .	13-50.3
	[c] Accountant/Client Privilege Recognized by State Law . . . . .	13-50.5
	[3] Attorney Work Product . . . . .	13-50.6
	[4] Corporate Privileges . . . . .	13-50.7
	[5] Filter Team or Taint Team . . . . .	13-50.7
§ 13.10	Information Gathering Tools Used by Special Agent . . . . .	13-51
	[1] Summons Power, Generally . . . . .	13-51
	[2] Third Party Record-Keeper Summons . . . . .	13-52
	[a] Motion to Quash Summons . . . . .	13-53
	[i] Standing . . . . .	13-53
	[ii] Grounds for Seeking to Quash Summons . . . . .	13-53
	[3] John Doe Summons . . . . .	13-56
	[a] Use of John Doe Summons for Offshore Accounts . . . . .	13-56
	[i] The Court’s Authority to Compel a United States Bank to Produce Offshore Records . . . . .	13-58
	[ii] John Doe Summons for Records in 2000 Involving Traditional Caribbean Tax Havens . . . . .	13-58
	[iii] John Doe Summons for Records in 2002 Involving more than Thirty Countries . . . . .	13-59
	[b] Reporting Requirements for Use of Offshore Account . . . . .	13-60
	[c] Offshore Voluntary Compliance Initiative . . . . .	13-62
	[i] First IRS OVDP Initiative . . . . .	13-62
	[ii] Other IRS OVDP Initiatives . . . . .	13-63
	[iii] Two Offshore Voluntary Disclosure Program Options: “Regular” OVDP and OVDP Streamlined Compliance Procedures . . . . .	13-64
	[d] Collection from Offshore Accounts . . . . .	13-69

**FEDERAL TAX LITIGATION**

	[i]	The Government Must Establish Jurisdiction over the Taxpayer . . . . .	13-70
	[ii]	Methods for Collecting the Tax Debt from Offshore Assets or Taxpayer Overseas . . . . .	13-70
	[iii]	Defenses to Collection of Offshore Assets . . . . .	13-70.3
	[e]	Use of John Doe Summons for Gift or Estate Tax . . . . .	13-70.4
	[f]	Use of John Doe Summons Involving Virtual Currency . . . . .	13-70.5
[4]		Government Enforcement of Summons . . . . .	13-70.6
	[a]	Elements the Government Must Prove to Establish Enforcement Is Proper . . . . .	13-71
	[b]	Taxpayer's Burden After Government Establishes <i>Powell</i> Requirements . . . . .	13-71
[5]		Compulsion Order . . . . .	13-72.1
	[a]	Procedures for Obtaining a Compulsion Order During Investigation . . . . .	13-72.1
	[b]	Procedures for When a Witness Reappears in Response to an Adjourned Summons . . . . .	13-72.3
	[c]	Summons Enforcement Procedures Prior to Requesting a Compulsion Order . . . . .	13-72.3
	[d]	Perjury or False Statements Made by Witness . . . . .	13-72.4
	[e]	Compelled Testimony Should Be Safeguarded by the IRS . . . . .	13-72.4
	[f]	Prosecution of a Witness Subject to a Compulsion Order . . . . .	13-72.4
	[g]	Use of Information Obtained Through Compulsion in Civil Matters . . . . .	13-72.5
	[h]	Denial of Compulsion Order Request by Justice Department . . . . .	13-72.5
[6]		Immunity . . . . .	13-72.5
	[a]	Use and Derivative Immunity . . . . .	13-72.6
	[b]	Seeking Immunity for a Witness' Act of Production . . . . .	13-72.6
[7]		Search Warrants . . . . .	13-72.9
	[a]	Excluding Evidence Obtained from a Search and Seizure . . . . .	13-72.11
	[b]	Required Evidence . . . . .	13-72.11
		[i] Probable Cause . . . . .	13-72.11
		[ii] The Warrant Must Describe with Particularity Items to Be Seized and the Criminal Conduct Alleged . . . . .	13-72.12
	[iii]	Reckless or Deliberate Material Misrepresentations . . . . .	13-72.13

## TABLE OF CONTENTS

xix

	[iv] Improper Execution of the Search Warrant . . . . .	13-72.13
	[c] Contempt . . . . .	13-72.14
[8]	Electronic Surveillance and Interception . . . . .	13-72.14
	[a] Consensual Monitoring . . . . .	13-72.15
	[b] Developing Arguments in Defense of Taxpayers Subject to Federal Wiretaps . . . . .	13-72.16
[9]	Electronic Tracking Devices (Beepers) . . . . .	13-72.17
[10]	Pen Registers and Trap and Trace Devices (Grabbers) . . . . .	13-72.17
[11]	Informants . . . . .	13-72.18
[12]	Mail Covers . . . . .	13-72.19
[13]	Hardware and Software Evidence . . . . .	13-72.20
§ 13.11	Record-Keeping Resources of Taxpayer Information . . . . .	13-72.21
	[1] Currency Transaction Reports . . . . .	13-72.22
	[2] Suspicious Activity Report (SAR) Forms . . . . .	13-73
	[3] Report of Cash Payments Over \$10,000 Received in a Trade or Business . . . . .	13-74
	[4] Social Security Administration . . . . .	13-74
	[5] State Department . . . . .	13-74
	[6] Securities and Exchange Commission (SEC) . . . . .	13-74
	[7] Comptroller of Currency . . . . .	13-75
	[8] Customs Records . . . . .	13-75
	[9] Bureau of Alcohol, Tobacco and Firearms Records . . . . .	13-75
	[10] Federal Bureau of Investigation Records . . . . .	13-75
	[11] Drug Enforcement Agency Records . . . . .	13-76
	[12] United States Postal Service Records . . . . .	13-76
	[13] Financial Crimes Enforcement Network (FinCEN) . . . . .	13-76
	[a] Virtual Currency . . . . .	13-77
	[b] Information Sharing . . . . .	13-78
	[c] The U.S. Anti-Money Laundering Act of 2020 and Beneficial Ownership Registry . . . . .	13-78
[14]	Financial Institutions . . . . .	13-78.12
	[a] Report of Foreign Bank and Financial Accounts (FBAR) . . . . .	13-78.13
	[b] Forms 5471 and 5472 . . . . .	13-80
	[c] Silent or Quiet Disclosures . . . . .	13-81
	[d] FBAR IRS Examination, Fast Track Settlement, and Appeals . . . . .	13-81
	[i] Examination . . . . .	13-82
	[ii] Appeals Division . . . . .	13-84
[15]	FinCEN, Financial Institutions, and the USA PATRIOT Act . . . . .	13-88
	[a] Certification Must Be Completed by IRS . . . . .	13-88.1

**FEDERAL TAX LITIGATION**

	[b] Financial Institution’s Discovery of Suspicious Account or Transaction . . .	13-88.1
	[c] Protecting Information that Is Shared . . . .	13-88.2
	[d] Likelihood of Suspicious Activity Report . . . . .	13-88.2
	[16] Foreign Corrupt Practices Act (FCPA) . . . . .	13-88.2
	[17] Hiring Incentives to Restore Employment (“HIRE”) Act/ Foreign Account Tax Compliance Act (“FATCA”) . . . . .	13-88.2
	[18] Ransomware and Potential OFAC Sanctions for Facilitation . . . . .	13-88.4
§ 13.12	Special Agent’s Prosecution Report . . . . .	13-89
	[1] History of the Taxpayer . . . . .	13-89
	[2] Taxpayer Contacts . . . . .	13-89
	[3] Theory of the Case . . . . .	13-90
	[4] Reconciliation of Books and Records to Tax Returns . . . . .	13-91
	[5] Other Evidence for Use in Criminal Proceedings . . . . .	13-91
	[6] Evidence of Intent . . . . .	13-92
§ 13.13	Taxpayer Conferences with the Government . . . . .	13-93
	[1] Conference with the Special Field Agent and Group Manager . . . . .	13-93
	[2] Conference with Field Counsel . . . . .	13-93
	[a] Items the Practitioner Should Address at Conference with the Government . . . . .	13-95
	[b] Field Counsel Referrals for Prosecution . . . . .	13-95
	[3] Conference with the Tax Division . . . . .	13-97
	[4] Conference with the United States Attorney’s Office . . . . .	13-98
§ 13.14	Expedited Plea . . . . .	13-99
	[1] Taxpayer’s Representative Must Initiate Plea Discussion . . . . .	13-99
	[2] Justice Department Authority and Jurisdiction . . . . .	13-99
	[3] Evidentiary Analysis . . . . .	13-100
	[4] Affect of Plea Negotiations on Civil Liability . . . . .	13-100
	[5] Citizenship . . . . .	13-101
	[a] Good Moral Character . . . . .	13-102
	[b] Tax Conviction as Aggravated Felony . . . . .	13-102
	[i] Tax Returns Filed Jointly . . . . .	13-102
	[ii] Spousal Elections . . . . .	13-102
	[c] “Particularly Serious Crime” . . . . .	13-102
	[d] Adjustment of Status Tax Scrutiny . . . . .	13-102.1
	[e] Expatriates . . . . .	13-102.1
§ 13.15	Bank Secrecy Act: Title 31 Referral Guidelines for Civil Penalties . . . . .	13-103
	[1] Severity of Violations . . . . .	13-103

**TABLE OF CONTENTS**

xxi

	[2] Inconsequential Violations . . . . .	13-103
	[3] Disclosure of Tax Return Information Based on Related Statute Test . . . . .	13-104
	[4] Criteria for Determining Whether Bank Secrecy Act Violations Warrant a Penalty Referral . . . . .	13-105
	[5] Mitigating Factors to Offer in Defense to Bank Secrecy Act Violations. . . . .	13-105
§ 13.16	Grand Jury Matters . . . . .	13-106
	[1] Function of a Grand Jury . . . . .	13-107
	[2] Challenging a Grand Jury Subpoena . . . . .	13-108
	[3] IRS Initiation of a Grand Jury Investigation. . . . .	13-108
	[4] Initiation of Grand Jury by Department of Justice. . . . .	13-108.2
	[a] Department of Justice Policy . . . . .	13-108.2
	[b] CID Assistance in Grand Jury Initiated by Government Attorney. . . . .	13-108.3
	[5] Grand Jury Secrecy. . . . .	13-108.4
	[6] Use of Subpoenas <i>Duces Tecum</i> in Grand Jury Investigation . . . . .	13-108.4
	[a] Testimony and Documents. . . . .	13-108.4
	[b] Required Records Doctrine . . . . .	13-108.5
	[c] Establishing the Scope of the Subpoena Served Upon a Corporation. . . . .	13-108.7
	[d] Document Production by Corporation. . . . .	13-108.8
	[e] Consider Whether an Appearance Before the Grand Jury to Produce Documents Is Actually Necessary . . . . .	13-108.9
	[f] Retain Separate Counsel for the Company . . . . .	13-108.9
	[g] Preparation of Witnesses for Testimony Before the Grand Jury. . . . .	13-108.10
	[h] Interviews of Witnesses After Their Appearance Are Permitted . . . . .	13-108.11
	[i] Waiver of the Attorney Client Privilege and Work Product Doctrines. . . . .	13-108.12
	[7] Immunity . . . . .	13-108.14
	[a] Application of the Fifth Amendment Privilege . . . . .	13-108.15
	[b] Timing. . . . .	13-109
	[i] Burden . . . . .	13-110
	[ii] Adverse Inference . . . . .	13-112
	[c] Informing the Grand Jurors About Immunity of a Witness . . . . .	13-112
	[d] Transactional Immunity Automatically Denied . . . . .	13-112
	[e] Criteria for Granting a Request for Immunity . . . . .	13-112.1
	[f] Civil and Criminal Contempt. . . . .	13-113

## FEDERAL TAX LITIGATION

	[i]	Civil Contempt . . . . .	13-113
	[ii]	Criminal Contempt . . . . .	13-114
[8]		Informants . . . . .	13-115
[9]		Grand Jury and the Corporate Taxpayer . . . . .	13-115
	[a]	Avoid Destruction of Evidence by Sending Freeze Letter . . . . .	13-115
	[b]	Advise Employees of Their Rights . . . . .	13-116
	[c]	Initial Conference with the Prosecutor . . . . .	13-117
	[d]	In-House Investigations . . . . .	13-118
	[i]	Conducting an Investigation via Outside Counsel . . . . .	13-118
	[ii]	Conducting an Internal Investigation Without Outside Counsel . . . . .	13-119
[10]		IRS Final Report on Grand Jury . . . . .	13-119
[11]		Inappropriate Prosecutorial Actions . . . . .	13-119
[12]		Sentencing Guidelines . . . . .	13-120
§ 13.17		Criminal Tax Prosecution . . . . .	13-122
	[1]	Dual and Successive Prosecution . . . . .	13-123
	[2]	Pleas After Arrests . . . . .	13-123
	[3]	Indictment . . . . .	13-125
	[4]	Information . . . . .	13-125
	[5]	Complaint . . . . .	13-125
	[6]	Warrant or Summons . . . . .	13-126
	[7]	Preliminary Hearing . . . . .	13-126
	[8]	Arraignment . . . . .	13-126
	[9]	Invoking the Fifth Amendment During Discovery and/or Trial . . . . .	13-126.1
	[10]	Discovery and Inspection . . . . .	13-127
	[a]	The Brady Doctrine . . . . .	13-127
	[b]	Henthorn Requests . . . . .	13-128
	[11]	Trial Preparation Methods . . . . .	13-129
	[12]	Sentencing in Criminal Tax Prosecutions . . . . .	13-130
	[a]	Federal Sentencing Guidelines . . . . .	13-131
	[i]	Determining the Offense Level . . . . .	13-132
	[ii]	Defining the Tax Loss . . . . .	13-132
	[iii]	Use of Sophisticated Means to Impede Discovery of Offense . . . . .	13-133
	[iv]	Defendant Derived Substantial Portion of Income From Tax Offense . . . . .	13-134
	[b]	Good Faith Defense . . . . .	13-134
	[c]	Presentence Investigation . . . . .	13-135
	[d]	Guilty Plea Analysis . . . . .	13-135
§ 13.18		Taxpayer Defenses . . . . .	13-137
	[1]	Preparation for the Taxpayer Interview with the Special Agent . . . . .	13-137
	[a]	Questions to Ask Special Agent . . . . .	13-137



**TABLE OF CONTENTS**

[b] Agreement to Produce Records . . . . . 13-138

[c] Attending the Taxpayer Interview with  
the Special Agent. . . . . 13-138

[2] Selective Enforcement . . . . . 13-138

[3] Production of Evidence. . . . . 13-139

[4] Cooperation with the Special Agent . . . . . 13-139

[5] Affidavits. . . . . 13-140

[6] Voluntary Disclosure Policy. . . . . 13-140.1

[7] Attacking the Method of Proof Used by CID. . . . . 13-140.1

[a] Net Worth Method . . . . . 13-140.1

[b] Prior Accumulations of Income in  
Previous Years . . . . . 13-141

[c] Gifts, Inheritances, Loans. . . . . 13-142

[d] Use of Forensic Accountants . . . . . 13-142

[8] Statute of Limitations . . . . . 13-142.2

[9] Suppression of Evidence as Remedy for  
Improper Use of Immunized Testimony  
During Prosecution. . . . . 13-142.3

[10] Suppression of Evidence Due to Prosecutorial  
Misconduct . . . . . 13-142.4

[11] Under Seal. . . . . 13-142.7

[12] Appeal of Conviction or New Trial. . . . . 13-142.7

§ 13.19 Forfeitures . . . . . 13-142.8

[1] Seizures . . . . . 13-142.9

[2] IRS Internal Forfeiture Procedures. . . . . 13-142.10

[a] Counsel Assistance Provided in  
Administrative Forfeiture Cases . . . . . 13-142.11

[b] Advertisement . . . . . 13-142.11

[c] Notice of Seizure Letter. . . . . 13-142.12

[d] Declaration of Forfeiture . . . . . 13-142.12

[e] Inquiries from Parties . . . . . 13-142.12

[f] New Evidence Must Exist to Support  
Reversal . . . . . 13-142.12

[3] Quick Release of Property Procedures . . . . . 13-142.12

[4] Administrative Review . . . . . 13-142.14

[a] Petition for Mitigation or Remission. . . . . 13-142.15

[b] Mitigation . . . . . 13-142.15

[c] Remission . . . . . 13-142.18

[d] Notice Sent to Claimant. . . . . 13-142.18

[e] Request for Reconsideration of Denial  
of Petition for Mitigation . . . . . 13-142.18

[5] Judicial Forfeiture. . . . . 13-142.19

[a] Claim of Ownership and Cost Bond . . . . . 13-142.19

[b] Field Counsel Processing and Referral  
of Claim and Cost Bond . . . . . 13-142.20

[6] Role of the United States Attorney’s Office. . . . . 13-142.20

[a] Settlement Possibilities. . . . . 13-142.20

[b] Authorization to Initiate Judicial Action. . . . . 13-142.21

## FEDERAL TAX LITIGATION

[7]	Judicial Action .....	13-142.21
	[a] Venue .....	13-142.21
	[b] Burden of Proof .....	13-142.21
	[c] Constitutional Concerns .....	13-142.22
[8]	Defenses to Forfeiture.....	13-142.22
	[a] Due Process .....	13-142.22
	[b] Double Jeopardy.....	13-142.22
	[c] Property Reported on Taxpayer's Tax Return.....	13-142.23
§ 13.19A	Multiple or Dual Representation Problems .....	13-142.25
	[1] Potential for Ethical Dilemma .....	13-142.25
	[2] Disqualification Upon Showing of Conflict of Interest .....	13-142.25
	[3] Government Motion to Disqualify Counsel....	13-142.25
	[4] Conflicts of Interest Resulting in Disqualification.....	13-142.26
§ 13.20	Recovering Attorney Fees in a Criminal Case .....	13-143
	[1] Defining a "Prevailing Party".....	13-144
	[2] Burden of Proof .....	13-146
	[3] Final Judgment .....	13-146
	[4] Net Worth Requirement .....	13-148
	[5] The "Position of the United States".....	13-148
	[6] Discovery of the Conduct of the Government May Be Allowed .....	13-150
	[7] Scope of Record .....	13-152
	[a] Conduct Unsupported by the Law.....	13-152
	[b] Conduct Unsupported by the Facts.....	13-152
	[c] Use of Charge or Prosecution for Wrongful Purpose .....	13-153
	[8] Deadline for Filing Claim.....	13-153
	[9] Common Government Arguments to Refute Award Under Hyde Amendment.....	13-155
	[10] Statutory Loophole of Special Circumstances Making an Award Unjust .....	13-156
	[11] Practical Advice .....	13-156
	[a] Build a Record .....	13-156
	[b] Alert Court to Government's Improper Conduct .....	13-156
	[c] Track the Government's Conduct with its Policies .....	13-157
	[d] Extract a Concession Not to Reindict/Reprosecute .....	13-157
	[e] Restitution .....	13-157
§ 13.21	Title 18 Bootstrap .....	13-158.1
§ 13.22	Sample Petition to Enforce Summons and Accompanying Declaration of Revenue Agents....	13-160
§ 13.23	<i>Form 8300</i> : Report of Cash Payments Over \$10,000 in a Trade or Business.....	13-188

CHAPTER 14

Bankruptcy and the IRS

§ 14.01	Introduction . . . . .	14-4
	[1] The Estate . . . . .	14-6
	[2] Separate Entity in Chapters 5, 7 and 11 . . . . .	14-7
	[a] Defining the Estate . . . . .	14-8
	[b] The Bankruptcy Estate Tax Liability . . . . .	14-9
	[c] Filing Applicable Returns and Paying Tax Liability . . . . .	14-9
	[d] Trustee and the Estate . . . . .	14-10
	[e] Individual Debtor/Taxpayer . . . . .	14-11
	[3] Bankruptcy Rules . . . . .	14-11
§ 14.02	Government Players in the Bankruptcy Process . . . . .	14-14
	[1] Special Procedures Function . . . . .	14-14
	[2] United States Department of Justice . . . . .	14-14
	[3] Field Counsel . . . . .	14-14
§ 14.03	Bankruptcy: The Process . . . . .	14-15
	[1] Automatic Stay . . . . .	14-15
	[a] Adequate Protection . . . . .	14-16
	[b] Relief from the Automatic Stay . . . . .	14-16
	[c] Rights of Set Off . . . . .	14-16
	[2] What May Be Discharged? . . . . .	14-16.1
	[a] Priority Taxes . . . . .	14-16.2
	[i] Employment Taxes . . . . .	14-17
	[ii] Excise Taxes . . . . .	14-17
	[iii] Affordable Care Act . . . . .	14-17
	[b] Equitable Tolling . . . . .	14-18
	[i] “Three-Year Look-Back Period” . . . . .	14-18
	[ii] Offer in Compromise (“OIC”) Tolling Circumstances . . . . .	14-19
	[iii] Collection Actions and Challenges . . . . .	14-20
	[c] Penalties . . . . .	14-21
	[i] Dischargeable Penalties . . . . .	14-21
	[ii] Non-Dischargeable Penalties . . . . .	14-22
	[d] Interest . . . . .	14-22
	[e] Excise Tax or Penalty? . . . . .	14-23
	[f] Student Loans and Cancellation of Indebtedness . . . . .	14-24
	[3] When a Tax Return Is Not a Return for Dischargeability Purposes . . . . .	14-24.2
	[a] Substitute for Return . . . . .	14-24.2
	[b] Tax Returns and the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 . . . . .	14-24.4

## FEDERAL TAX LITIGATION

[c]	Return Filed Within Two Years of Petition . . . . .	14-24.7
[d]	Fraudulent Tax Returns . . . . .	14-24.7
[e]	Dismissal Due to Failure to File Returns. . .	14-24.8
[4]	What Is the Effect, If Any, of a Federal Tax Lien? . . . . .	14-25
[5]	Exempt Property . . . . .	14-26
[6]	Notice of Levy Requires Harmonization of Bankruptcy Code and Internal Revenue Code . . . . .	14-26
[7]	Tenancy by the Entirety . . . . .	14-28
[a]	Bankruptcy Claims . . . . .	14-28
[b]	Individual Claims . . . . .	14-28
[c]	Joint Claims Not Exempt. . . . .	14-29
[d]	Sale of the Nondebtor’s Interest . . . . .	14-29
[e]	Effect of Liens Perfected Prior to Creation of Tenancy by the Entirety . . . . .	14-30
[8]	Employment Tax Payments . . . . .	14-30
[9]	Turnover Requirement . . . . .	14-32
[10]	Implementing an Offer-in-Compromise Prior to and During the Bankruptcy. . . . .	14-36
[11]	Determinations of Tax Liabilities. . . . .	14-36.3
[a]	Request for Prompt Determination from IRS. . . . .	14-36.3
[b]	Bankruptcy Court . . . . .	14-36.4
[12]	Application of the Doctrine of Sovereign Immunity. . . . .	14-36.6
[13]	Damages for Violations of the Automatic Stay . . . . .	14-36.8
[a]	Establishing a Violation of the Automatic Stay. . . . .	14-36.8
[b]	Two Procedures for Seeking Damages Against the IRS . . . . .	14-36.9
[c]	Compensatory, Punitive and Actual Damages . . . . .	14-36.10
[d]	Recovery of Attorneys’ Fees . . . . .	14-36.11
[e]	“Non-Willful” Violation of Automatic Stay. . . . .	14-36.13
[14]	Effect of Confirmation . . . . .	14-36.13
[a]	Chapter 11 and Confirmation. . . . .	14-36.14
[b]	Chapter 13 and Confirmation. . . . .	14-36.15
[15]	Effect of an Order of Discharge from the Bankruptcy Court. . . . .	14-36.17
[a]	Effect of Discharge on Lien Holders . . . .	14-36.17
[i]	General Rule for Lien Holders. . . . .	14-36.17
[ii]	Providing for Lien Holders. . . . .	14-36.17
[b]	A Federal Tax Lien Survives <i>In Rem</i> . . . .	14-36.18
§ 14.04	Determinations by Bankruptcy Courts of Income Tax Consequences . . . . .	14-37

## TABLE OF CONTENTS

xxvii

	[1] In General . . . . .	14-37
	[2] Case or Controversy . . . . .	14-38
	[3] Analysis of Short-Year Election in Chapters 7 and 11 . . . . .	14-39
	[a] Mechanics . . . . .	14-39
	[b] Tangible Benefits . . . . .	14-40
	[4] General Requirements for Confirmation . . . . .	14-41
	[a] Chapter 11, Generally. . . . .	14-41
	[b] Chapter 13, Generally. . . . .	14-42
	[c] Chapter 7, Generally. . . . .	14-44
	[d] Internal Jurisdiction and Settlement Authority . . . . .	14-44
	[i] Chapter 7 and Chapter 13 cases . . . . .	14-44.1
	[ii] Chapter V cases . . . . .	14-44.2
	[iii] Payment Protection Plan Challenges by Debtors in Bankruptcy . . . . .	14-44.2
§ 14.05	Internal Jurisdiction and Settlement Authority Between the IRS and the Department of Justice. . . . .	14-44.3
	[1] Before or After Objection to a Proof of Claim Is Filed. . . . .	14-44.3
	[2] Before an Objection to a Proof of Claim Is Filed. . . . .	14-44.3
	[3] After an Objection to a Proof of Claim Has Been Filed. . . . .	14-44.3
	[4] Assistant United States Attorneys . . . . .	14-44.3
	[5] Department of Justice, Tax Division . . . . .	14-44.4
	[6] Burden of Proof . . . . .	14-44.4
	[7] Service of Process. . . . .	14-44.5
§ 14.06	Practical Considerations . . . . .	14-45
§ 14.07	Complaint to Determine Tax Lien Priorities . . . . .	14-48
§ 14.08	Practice Tips . . . . .	14-52
	[1] Using the Taxpayer Advocate to Avoid Unreasonable Revenue Officer . . . . .	14-52
	[2] Post-Bankruptcy Activity . . . . .	14-52
	[3] Litigating Tax Liabilities . . . . .	14-52
	[4] Innocent Spouse Relief May Allow Debtor/ Spouse to Escape Liability . . . . .	14-53
	[5] Counsel Client Regarding Consequence of Bankruptcy Filing. . . . .	14-53
	[6] Willful Evasion in the Context of Luxury Purchase . . . . .	14-53
	[7] Ordering Transcripts of Debtors' Tax Accounts/Periods . . . . .	14-54
	[8] Foreclosure by Lender and Consequences . . . . .	14-54

**FEDERAL TAX LITIGATION**

	[9]	Asserting the Fifth Amendment . . . . .	14-56
	[10]	Divorced or Divorcing Couples, Only One Spouse in Bankruptcy . . . . .	14-56.1
	[11]	Post-Petition Interest in Chapter 13 . . . . .	14-56.1
§ 14.09		Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 . . . . .	14-57
	[1]	Retirement Plan Exemptions . . . . .	14-57
	[2]	Education IRAs . . . . .	14-57
	[3]	Notice of Request for Determination of Taxes . . . . .	14-57
	[4]	Discharge of Estate’s Liability for Unpaid Taxes . . . . .	14-58
	[5]	Rate of Interest on Tax Claims . . . . .	14-58
	[6]	Repeat Bankruptcy Filers . . . . .	14-58
	[7]	Chapter 13 Discharge . . . . .	14-58
	[8]	Chapter 11 Discharge . . . . .	14-59
	[9]	Tax Court Stay Provision Limited . . . . .	14-59
	[10]	Periodic Payment of Taxes Under Chapter 11 . . . . .	14-59
	[11]	Avoidance of Statutory Tax Lien Prohibited . . . . .	14-60
	[12]	Payment of Taxes in the Conduct of Business . . . . .	14-60
	[13]	Tardily Filed Priority Tax Claims . . . . .	14-60
	[14]	Return Defined, “Hanging Paragraph” . . . . .	14-61
	[15]	Return Must Be Filed to Confirm Chapter 13 Plans . . . . .	14-61
	[16]	Tax Disclosure Standards . . . . .	14-61
	[17]	Setoff of Tax Refunds . . . . .	14-62
	[18]	Dismissal for Failure to Timely File Returns . . . . .	14-62
	[19]	Homestead Exemption . . . . .	14-62
	[20]	“Means” Test . . . . .	14-62.1
§ 14.10		Dischargeability Checklists . . . . .	14-63
§ 14.11		Recovering Attorney’s Fees . . . . .	14-65
§ 14.12		Debt Forgiveness Situations Creating Tax Debt . . . . .	14-66
	[1]	Outside of Bankruptcy . . . . .	14-66
	[2]	Debtor in Bankruptcy . . . . .	14-67
	[3]	When to Use the Form 982 . . . . .	14-68

**CHAPTER 15****Access to Information from  
the Federal Government**

§ 15.01		The Freedom of Information Act . . . . .	15-2
	[1]	FOIA Legislative Structure . . . . .	15-3
		[a] The “Reading Room” Provision of FOIA . . . . .	15-3
		[b] FOIA Requests . . . . .	15-4
	[2]	Procedure for Making an FOIA Request . . . . .	15-5
	[3]	FOIA Exemptions . . . . .	15-8

**TABLE OF CONTENTS**

xxix

	[a]	Exemption 2: Internal Personnel Rules and Practices . . . . .	15-9
	[b]	Exemption 3: Information Exempt Under Certain Laws Other Than FOIA . . . . .	15-10
	[i]	Application of FOIA Exemption 3 with Section 6103 . . . . .	15-11
	[ii]	Haskell Amendment Exception . . . . .	15-12
	[iii]	Grand Jury Information Also Falls Within Exemption 3 . . . . .	15-12.1
	[c]	Exemption 4: Trade Secrets and Commercial or Financial Information. . . . .	15-12.1
	[d]	Exemption 5: Internal Communications. . . . .	15-13
	[i]	Government Deliberative Process Privilege. . . . .	15-14
	[ii]	Attorney-Client Privilege . . . . .	15-18
	[iii]	Work-Product Privilege . . . . .	15-18
	[e]	Exemption 7: Investigatory Files. . . . .	15-19
§ 15.02		The Privacy Act. . . . .	15-21
	[1]	Legislative Purpose of the Privacy Act. . . . .	15-21
	[2]	Exemptions Under the Privacy Act . . . . .	15-22
	[3]	Submitting a Privacy Act Request. . . . .	15-23
	[a]	Disclosure Litigation Division . . . . .	15-24
	[b]	IRS Evaluation of Sufficiency of Request . . . . .	15-25
	[i]	Verification of the Requester’s Identity . . . . .	15-25
	[ii]	Verification That Request Complies with Regulations and Description of Records Sought Is Sufficient. . . . .	15-25
	[iii]	Tracking Down Records Sought and/or Initiating Action on Request . . . . .	15-27
	[c]	IRS Response Granting Request Under the Privacy Act. . . . .	15-28
	[d]	IRS Response Denying Request Under the Privacy Act. . . . .	15-29
	[e]	Evaluation of Request for Amendment of Records Under the Privacy Act . . . . .	15-30
	[f]	Review of Refusal to Amend Record Under the Privacy Act. . . . .	15-31
	[4]	Advanced Pricing Agreements Between Corporate Taxpayers and the IRS . . . . .	15-31
§ 15.03		Section 6110: Access to Government Documents . . . . .	15-33
§ 15.04		Judicial Review of FOIA and Privacy Act Requests. . . . .	15-34
	[1]	Venue. . . . .	15-34

**FEDERAL TAX LITIGATION**

[2] Burden of Proof ..... 15-34

[3] Complaint ..... 15-35

    [a] FOIA Action..... 15-35

    [b] Privacy Act Action..... 15-36

[4] Tax Division, Department of Justice ..... 15-37

    [a] Disclosure Litigation ..... 15-37

    [b] Requests for Tax Division Records..... 15-37

[5] *In Camera* Review of Withheld Materials Is  
    Discretionary..... 15-37

**INDEX** ..... I-1