

Scene Three

Characters: Abby Post, physical therapist; Walter Stevens, attorney;
Setting: This scene takes place back in Stevens' office after Abby has received an IRS notice about her passport and other request for information and Abby must now decide what to do.

Stevens: Welcome back. I got your message that you've received some documents from the IRS and you want to talk after about your options going forward.

Post: Yes, this is very disturbing. I never thought it would come to this. Who would have guessed that the IRS would be so picky about my trying to save money for my employees and adding to my retirement fund by not paying the employment tax. And, Pfiffer kept telling me that it was not going to be a problem.

Stevens: Well paying your taxes is pretty serious and you know with all of the hoopla in the political world about taxes and tax returns, I guess the IRS feels compelled to hold taxpayers accountable for their income tax obligations.

Post: Can they really revoke my passport? I got something from the IRS about that a few weeks ago. We've already booked a trip to Aruba in a couple of months to do some diving and I don't want anything to upset that. And this thing about going after John my husband, even though Pfiffer said that was not going to be a problem either. I transferred those funds to his account just like Pfiffer told me to do. I never thought that would get me or John in trouble. It all sounded legit to me. Pfiffer said his clients did it all the time and the IRS never came after them. However, I did get something from the IRS asking for information about those transfers. Pfiffer said not to worry. Finally, I haven't received anything about them taking my Medicare payments.

Stevens: You do have to worry about it now. It's no defense that other taxpayers did similar things that are not proper and they have yet to be caught. You have been notified of the lien and you are now on their radar screen, so to speak, and you need to make some decisions about what to do. Did you reply to the IRS's request for information?

Post: We did, but Pfiffer told me that the discussions and emails between him and me were privileged and that's all we told them.

Stevens: Like I mentioned before, there is a privilege protecting confidential communications between a taxpayer and her accountant under Internal Revenue Code section 7525, if that communication would have been protected if it had been between a client and her attorney. However, you recall I told you and Pfiffer that there would be no attorney-client privilege regarding the transfer of the property to your husband and advice to make a taxpayer "judgment proof" would probably not constitute "tax advice" eligible for a privilege. Did you find the emails between you and Pfiffer?

Post: Yes and I don't think I want the IRS looking at those. And I seem to recall some discussion last time about JAIL and I certainly don't want that to happen.

Stevens: Your options are getting to be fewer and the last thing you want to do is something that will make this situation worse, like not providing correct information or asserting a privilege that will not withstand scrutiny by a judge.

Post: What about the Medicare thing?

Stevens: On the withholding of your Medicare payments. The Government has been using this program to collect seriously delinquent taxes like your situation and as such, you will likely get caught up in that process. As we discussed last time you were here - they can take part or all of what's owed to you for the services you provide that are covered by Medicare. And, they can continue to grab those payments until what you owe the Government is fully paid. Have you received anything from the IRS or any other part of the Government related to those Medicare payments?

Post: I've not received anything and as far as I can tell, none of those Medicare payments have been impacted. I'm still receiving regular payments for clients that are on Medicare.

Stevens: I did some quick research and it looks like they have to send you some form of written notification that they have grabbed part of your payments. Given that you haven't received anything yet, you may be ok with that so far, but if you don't otherwise make arrangements for payment of

these back taxes, those Medicare payments to you may be impacted. Let me know if you get something related to those payments.

Post: I will. What's next?

Stevens: Your passport. You said you got something from the Government about your passport?

Post: Yes. But we really need to get away on the Aruba trip.

Stevens: When did you get the notice?

Post: About 6 weeks ago.

Stevens: Well, your Aruba trip may have to wait until you get this lien taken care of. If the IRS has notified the State Department about the lien, your passport will be revoked until you get this paid. And - as we discussed - your passport is not restored until all of what you owe is paid or you die.

Post: Dying is not an option, but I don't have that kind of money to spare. Is there any way to work with the IRS about not paying or some kind payment schedule?

Stevens: That may be possible. The IRS has a way to reduce a tax liability by way of an offer in compromise. It also sometimes allows taxpayers to pay off taxes over time through installment payments.

Post: I like that first one – reduce what we owe. How does that work?

Stevens: It's somewhat involved and you may not qualify for that offer in compromise program. Plus – to qualify for that relief, you will have to provide financial information and this situation that Pfiffer put you with transferring assets to you husband is not good.

Post: So what about installment payments?

Stevens: That's probably your best bet but I have to do some research regarding that to see if you qualify.

Post: See what you can do. By the way, do you do that installment payment thing?

1367760.1

Stevens: No my fee is strictly cash up-front.