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**Craig Smalley** • Feb. 20, 2018

And here we are. Again the IRS, is getting the shaft. The president wants to cut the IRS's, already thin budget, by \$234 million. You would think that a tax accountant would be happy about this. However, I have been here since 1994, I have seen the IRS's budget get drastically cut before. I wanted to take a moment to tell Congress what is on the other side.

In the United States, we have a "voluntary" tax system. What that means, is that we voluntarily pay our taxes, and we reconcile the amounts we paid to our actual tax liability. We file a tax return in April, showing the amount of income we made and our deductions. If there is a balance due, we voluntarily pay that amount. The US Government calls the tax money that we pay, "revenue." Not to mention, outside of the mafia, the Internal Revenue Service is THE most notorious collection agency in the world.

In fact, there is a whole industry that revolves around mediating between the taxpayer and the tax agency. What I am getting to is that the president is supposed to be the most successful businessperson in the US. Anyone that runs their own business knows that if your company, or in this case the country, depends on "revenue" to run, you have a collection and enforcement division, that your customer, or in this case the taxpayer, is inately scared of, why would you cut their funding? Here is the problem. Because we have a voluntary tax system, it is open for many different things that could be stopped. However, if there is no enforcement then, compliance will either be lackadaisical, or nonexistent.

For the last two years, we have been living with the IRS, whose budget is already cut, and I have felt the backlash. I have represented thousands of clients before the IRS. For the last two years, and especially in the last year, I have experienced the worst

service from Revenue Officers (RO), Revenue Agents (RA), Appeals Officers (AO), even

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directly to pay bills. We offered \$4,000. The OIC worked its way through the system, was rejected, I appealed, and it was sent to the field office. When it was at the Maitland Campus (a suburb of Orlando), I worked with the AO, and she accepted the offer, pending proof of expenses. My client pays all of his expenses on a credit card, which he pays off every month. I explain this to the AO, and she asks for the statements.

Let me explain for a second that I don't blame the AO on this one. If you took Economics, the best way that I can explain this concept is using the Law of Diminishing Returns. With the Law of Diminishing Returns, a business, can only grow, produce, or whatever so much. Eventually, you reach a point where you are producing more, and making less money. The reason for this is that unless something changes, like technology, or something, a person can only produce so much before the quality, diminishes. For example, one staff accountant can handle about 200 monthly, and quarterly write up accounts. They can handle so many, because of technology. They no longer have to manually enter transactions, they are automatically fed in through the cloud based accounting system. The staff accountant simply accepts transactions, makes adjustments, and they are done. Even the most complicated accounts take someone about an hour to do. Back in the day, it would take the same person about a day to do the same account.

How this relates to the IRS, is this AO, is working about 150 cases at one time. They normally work about 50 at one time. When I sent these credit card statements, that were asked for, the AO thinks I am adding credit card debt to the OIC. As we all know, credit card debt is not taken into account on an OIC. A month later, we receive a letter from the AO, denying the OIC, because credit card debt, as I told you, is not added to an OIC. She had forgotten, or never took notes, the conversation that we had.

I appeal the amount owed, and it just gets worse. Here is something that has

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He, simply, Google my name, and call the office number. The office number goes directly to an automated system, and someone leaves a message. This AO, schedules an appeals meeting, I was in LA, and I waited by my phone. No call ever came, so I checked my email. Our system sends messages to our email, and there is a message from this AO. I call this guy back, eight times that day, leaving a message, with the correct number all eight times. I never get a call back. The AO simply sends a letter, denying this claim. I call the AO, no answer, leave another message. I then send a fax, and a certified letter to the AO.

I have no idea which method of contact works, but one day I get a call on my direct line from this AO. I am in San Francisco. The following Monday, I have a third surgery on my back scheduled. I repeat to the AO, over and over again, that I can do the appeal three days after my surgery. Explain the phone number. The AO writes the number down. I tell him about surgery, and how if he calls the office, I won't be there. I think that is message received. I follow up with a certified letter to him, stating the same information that I reiterated in the phone call. You'll never guess what happened. This guy, seriously calls the office line again. And back on the merry go round.

Now, I am doing this as a favor to this guy, however put yourself in his shoes. We are desensitized to IRS letters. However, as I stated earlier, most people freak out when they get a letter from the IRS. Remember he is getting the same letters as I am getting, and when he does, he freaks out. Sends me a text on the weekend, completely freaking out. So, I have my Sunday ruined talking this guy off the ledge. Where do we go from here? I am in the middle of filing a Tax Court Petition to protect his rights, and contacting the TAS. This isn't the first time this has happened to me in two years. In fact, it has happened so much, that I only represent someone, when I have to.

Another thing to think about. We are in an industry where someone doesn't have to have a license, not to mention there is hardly any oversight, so ANYONE can call

themselves an accountant, and start promoting tax evasion strategies, disguised as

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What can fix all of this mess? It can be fixed with more money to either hire more people, or invest in technology. At least give the Service the tools to do more with less. None of that is being done. The IRS is simply left trying their best to enforce, collect, and everything else, with no money to invest in technology that can bring the agency into the 21st Century, or manpower to get the job done right.

Seriously, I am used to complaining about the IRS for this or that. This time, I am on the IRS's side. Even wrote a letter to my Senator and Congressperson discussing the same issue. I invite the reader to do the same. This is horrible for business. Congress, please just fully fund the IRS.

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Craig W. Smalley, MST, EA, is the Founder and CEO of [CWSEAPA, PLLC](#). He has been admitted to practice before the Internal Revenue Service as an Enrolled Agent and has a Master's Certificate in Taxation from UCLA. In practice since 1994, Craig is well-versed in U.S Tax Law and U.S. Tax Court cases, and specializes in individual, partnership, and corporate taxation for high-net-worth clients; entity structuring and restructuring; and representation before the IRS regarding negotiations, audits and appeals. Craig is currently a columnist for CPA Practice Advisor and AccountingWEB and has had 12 books published. His articles have been featured in publications including the Wall Street Journal, The New York Times, and Christian Science Monitor, and he has been interviewed and appeared as a featured guest on numerous radio shows and podcasts. Craig can be reached at [craig@craigwsmalleyea.com](mailto:craig@craigwsmalleyea.com).

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