

Don't Panic: How to Handle Four Common IRS Problems

Thursday, February 14, 2019

Running into trouble with the IRS is more common than you may think. If you fall behind on tax returns or are the subject of an IRS audit or investigation, it can feel like you have nowhere to turn. A knowledgeable tax attorney will have experience assisting clients in similar situations and can guide you through what can be an intimidating process.

Scenario #1: I have not filed tax returns for years.

1. Don't panic.
2. Talk to a knowledgeable tax lawyer.

Willful failure to file a tax return can be prosecuted as a crime. Many factors will determine the best course of action for your particular situation. A few questions your lawyer will ask may include:

- Have you been contacted by the IRS?
- Did you pay taxes into the system (estimated payments or withholding)?
- Do you have illegal income?

The answers to these questions will lead to the application of many different legal strategies that your tax lawyer can address.

Scenario #2: There are two IRS agents at my door.

1. Don't panic (and don't lie).
2. Ask for their credentials and business cards.
3. Listen to what they say.
4. Respectfully decline to answer any questions and say that you want to talk to an attorney. Note: Your accountant is not an attorney and talking to your accountant before talking to your attorney for anything other than getting a possible recommendation for a lawyer jeopardizes both you and your accountant. Your conversations with your attorney are protected by attorney-client privilege and remain confidential. Other professionals, including accountants, can be forced to testify against you.

Scenario #3: The IRS is executing a search warrant at my home and/or business.

1. Don't panic (and don't lie).
2. Ask for a copy of the search warrant.
3. Be polite and calm.

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4. Ask if you are under arrest.
5. Do not answer questions and say that you want to speak to your attorney.
6. Get a copy of the inventory of anything seized during the execution of the search warrant (especially cash).
7. Talk to a lawyer knowledgeable about IRS criminal investigations ASAP. If there is potential for severe penalties, you will need the negotiation skills and intimate knowledge of legal principles and case law offered by an experienced attorney.
8. Do not talk to well-meaning friends and family about the investigation. Your statements can be used against you.

Scenario #4: I received an examination/audit letter from the IRS.

1. Don't panic.
2. Ask yourself – Do I have a problem? Underreported income, overstated expenses, unfiled tax returns?
3. If the answer is yes, talk first to an attorney knowledgeable in IRS and tax matters, with specific experience negotiating with the IRS. An attorney has attorney/client privilege. Your accountant does not. You don't want to "confess" to your accountant and turn that person into a witness against you.

If you find yourself in any of these situations, try to stay calm. A tax lawyer can help.

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