

The IRS's Incorrect Notice and Things To Watch Out for When Settling Back Taxes

LOS ANGELES, CALIFORNIA, USA,
February 22, 2021 /EINPresswire.com/
-- CP59 Notice Should Not Have Been Sent

Earlier this month, the IRS sent out CP59 notices to about 260,000 taxpayers that should not have been sent. This CP59 notice notified taxpayers that they failed to file their 2019 tax returns. This notice should not have been sent because the IRS still has not completed processing all 2019 tax returns, due to the mail backlog caused by COVID-19. Taxpayers who received the notice may have actually filed a return that is still being processed. The IRS later announced that "people who filed their 2019 return but nevertheless received the CP59 notice, can disregard the letter and do not need to take any action."

Certified Tax Resolution Specialist, James Cha from Ace Plus Tax Resolution, mentions that "a common misconception by most people is that the IRS never makes mistakes. However, they do. The IRS does make computer and human errors, but there is no doubt the IRS is still America's most formidable creditor."

The notice is not completely wrong, as



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there is still a multitude of people who failed to file 2019 tax returns. With the IRS ramping up collection efforts to pursue those who haven't filed tax returns or owe back taxes in 2021, it is critical for taxpayers to resolve their [tax problems](#) as soon as possible.

[Tax Relief](#) Options

There are many tax relief options available for those that owe back taxes if they qualify under certain financial circumstances. The resolution options include [Offer in Compromise](#),

Installment Agreement, Currently Not Collectible, and several others that will help taxpayers solve their back taxes.



Resolve Your Back Tax Liabilities and Find Relief

Back Tax Settlement Risks – Unreported Asset Information

However, not everyone qualifies for these settlement options, and if dealt with incorrectly, taxpayers may have to face serious consequences. It is known that criminal cases coming over from the collection division already jumped up to more than 40% in the first quarter. Therefore, taxpayers must watch out when they apply for an Offer in Compromise, Currently Not Collectible Status, Bankruptcy, or any other settlement programs. If they happen to falsely submit their financial information or fail to report the required asset information, not only will their application be rejected, but also they are risking themselves entering into a criminal case.

Here are some of the financial information the IRS is focusing on – collectibles, virtual currency, and foreign assets.

First, taxpayers must not fail to report any collectibles, artwork, jewelry, and any other valuable household assets, when they submit their applications.

Also, taxpayers must report all financial information regarding any virtual currency. The IRS performed a John Doe Summons on Coinbase and requested financial data across the platform's users in order to identify and investigate taxpayers that have virtual currency transactions. Therefore, the IRS now has acquired the database from Coinbase on virtual currency.

Another important financial information that must be reported to the IRS in the application is the foreign asset information, and this also applies to when filing tax returns. The IRS attained taxpayers' foreign asset information from a multitude of sources, including the FATCA treaties and Voluntary Disclosure Program. It is known that the maximum civil penalty for willful FBAR

filing violations for each account is greater of \$100,000 or 50 percent of the account balance. It may include imprisonment of up to five years in addition to a fine of up to \$250,000 for an FBAR offense.

The IRS has now been utilizing artificial intelligence with the information gathered and investigating cases of Offers in Compromise, Currently Not Collectible status, or bankruptcy that has been filed in the last two years. When taxpayers submitted these tax relief applications and failed to disclose the above financial information, the IRS may refer their cases to the criminal division.

Working with the Right Tax Professional

If taxpayers choose to submit the applications for IRS tax relief options by themselves, or with inexperienced non-professionals, the application may be rejected, or worse, they might have to face the IRS criminal division officials.

If you are struggling with tax problems, it is strongly recommended that you seek help from tax relief experts who can guide you through the most suitable resolution method and reduce the liability owed to the IRS to the lowest amount possible if you qualify. This can resolve your non-filing problems effectively and permanently. Not all CPAs are experts in tax relief, so find tax professionals who specialize in providing tax relief services.

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