

Navigating Tax Audits and Disputes:

Why Professional
Representation
is Crucial



Introduction

Professional tax controversy representation is crucial when facing a tax audit or tax collection dispute. The complex nature of tax laws and potential consequences of non-compliance make it essential to seek expert guidance. Sideman & Bancroft has a nationally recognized tax controversy practice, with attorneys offering the expertise and experience needed to navigate these challenging situations.

In the following sections, we will explore why professional tax controversy representation is important and highlight the unique value that Sideman & Bancroft brings to the table. Let's dive in.



Stages of Tax Audits and Disputes

Tax audits encompass several stages, each with its unique considerations and potential impact on the final outcome. It typically begins with an audit letter from the IRS or a state tax authority. An audit can have a variety of triggers, such as discrepancies in tax filings, high-income level, participation in IRS designated abusive transactions, or a complaint to the IRS by a disgruntled former employee, spouse or other whistleblower, or it may be random.

From the moment the audit notice is received, seeking professional representation becomes crucial. Having an experienced tax controversy attorney engaged from the start can make a significant difference in how the audit unfolds and its potential impact on your financial interests. With professional representation guiding you from the beginning, you ensure that your rights are protected and your case is presented in the most effective manner.

1

Audit letter from IRS
or state authority

2

The notice will identify what
documentation or
information is requested

3

Present your
documentation

4

Address follow-up questions
or requests

5

Receive audit
findings

6

You have 30 days to appeal
from the time your findings
are received

Meeting Deadlines and Ensuring That You Take Advantage of Your Rights as a Taxpayer

Meeting deadlines and timely filing appeals is crucial during tax audits and disputes. Failure to meet deadlines may lead to an adverse determination in the audit or the loss of certain appeal rights, and taxes, penalties, and interest, or other adverse consequences that could have been avoided. Therefore, it's essential to understand the key deadlines involved in the audit and dispute resolution process and work with qualified professionals.

Some of the critical deadlines you should be aware of include:

1

Audit notice - Initial
Contact with
Auditor

2

Deadlines to
comply with audit
requests

3

Deadline to file an
appeal if you
disagree with the
outcome of an audit

4

Deadline to file
court challenge

Response Timelines

After receiving an audit notice, you have a limited window of time to respond. It's crucial to understand the response timeline and take appropriate action. Adhering to these deadlines shows good faith and can help keep the audit process moving along smoothly. Missing deadlines without a negotiated extension can result in severe consequences.

Document Submission Dates and What to Provide to the Auditor

During an audit, tax authorities may request specific documentation to support the issues under scrutiny. Understanding the deadlines for providing such documents and working with qualified professionals to compile the documentation can help ensure compliance and the timely resolution of the audit. Moreover, providing inadequate documentation or the wrong information can be devastating to your case. Taxpayers often provide more information than requested which may result in additional items being audited. Taxpayers may also fail to assert applicable privileges and produce documents or information that need not be produced. On the contrary, failure to properly cooperate may impact a taxpayer's judicial rights if their case is disputed in court. Having an experienced professional to guide the audit process and protect you from making such errors is critical.

Meeting Deadlines and Ensuring That You Take Advantage of Your Rights as a Taxpayer (continued)

Dates for Filing Administrative Appeals and Requesting Court Review

If you disagree with the outcome of an audit, you have the right to file an appeal for an independent review. There are specific deadlines for appeals which if missed could mean that you forfeit your right to appeal, making it essential to understand the deadlines and work with qualified professionals to ensure compliance. Similar deadlines apply for appeals to courts in tax disputes. If these deadlines are missed, the required documents are not filed or proper challenges are not made, judicial review may be limited or precluded resulting in avoidable consequences and potentially allowing the IRS to take action against your financial interests.

Working with experienced tax professionals can help ensure compliance with IRS and judicial requirements and deadlines preventing or limiting adverse results and protecting your rights.



Collection Actions

If following a tax audit you owe money to a taxing agency such as the IRS, tax authorities have the power to take various collection actions against you. It is crucial to understand the potential collection actions that may arise and the potential consequences for non-compliance. Securing professional representation is key in navigating collection actions effectively.

Some potential collection actions that tax authorities may take include:



Tax Liens

Tax authorities may file a tax lien against your property to secure their interest in your assets. A tax lien becomes a public record and can affect your credit rating and ability to sell or transfer property.



Bank Levies

Tax authorities can issue a bank levy, freezing and seizing funds in your bank accounts, allowing them to collect the owed taxes directly from your bank.



Wage Garnishments

Tax authorities may garnish your wages, where a portion of your income is withheld from your employer or other payers to satisfy the tax debt.



Seizure of Assets

In extreme cases, tax authorities may seize and sell your assets, such as real estate, vehicles, or other personal property, to satisfy the unpaid tax debt.

Collection Actions (continued)

Non-compliance with tax collection actions can result in severe consequences and penalties, including:



Additional Interest and Penalties

Unpaid taxes may accrue interest and penalties over time, increasing your overall liability significantly.



Asset Loss

Collection actions, such as asset seizures, can lead to substantial financial loss and disruption to your personal and professional life.

Why Professional Representation is Crucial

Having professional representation is crucial in navigating these potential collection actions. Experienced tax professionals understand the process, including critical taxpayer rights to prevent or at least delay collection actions, and can help develop effective strategies to address tax liabilities. They can file for review of proposed collection actions within the taxing agency or in court, which can stop the most serious tax collection measures, and can negotiate with tax authorities, explore installment agreements or offers in compromise, and assist you in managing your tax liability. Professional representation signals a commitment to resolving the dispute, often influencing tax authorities' approach and potentially leading to more favorable resolution terms.



Unique Challenges of High-Income Individuals

High-income individuals may face specific challenges in tax controversies due to the complex nature of their income and financial situations. Some of these challenges include:



Higher Audit Probability

As noted earlier, high-income individuals often face a higher probability of being audited due to their complex financial affairs and potential high tax liability. This increased audit risk requires proactive tax planning and stringent compliance to withstand scrutiny and potential challenge from tax authorities.



Sophisticated Tax Structures

High-income individuals often have complex tax structures involving investments, business interests, trusts, and international holdings. Dealing with the tax implications of these structures requires in-depth knowledge and expertise to ensure that the claimed tax treatment is preserved.



Income Source Variability

High-income individuals may have income from various sources, such as business profits, investments, real estate, and intellectual property. The varying nature of income sources adds complexity in determining appropriate tax treatments, deductions, and credits and exposes these taxpayers to challenges from taxing authorities.



Higher stakes in tax litigation and collection matters

High-income individuals have greater potential for more serious disputes and litigation with the IRS or other taxing authorities due to the amounts at issue. Similarly, with more extensive assets and income comes a greater risk of adverse collection actions. However, experienced tax controversy counsel can potentially prevent or limit negative results and ensure that the taxpayer's wealth is preserved.



Sideman & Bancroft's Expertise in Tax Matters for High-Income Individuals

Sideman & Bancroft has extensive experience in understanding and navigating the complexities of tax matters for high-income individuals. Our firm specializes in providing comprehensive tax planning and dispute and tax resolution services tailored to the needs of affluent individuals.

Showcasing Sideman & Bancroft's Services

Sideman & Bancroft offers clients unparalleled expertise and extensive experience in managing both civil and criminal tax-related cases. Founded by Richard J. Sideman, a nationally renowned authority in tax disputes, our Tax Group includes a former federal prosecutor from the Department of Justice Tax Division and nationally recognized tax controversy attorneys. Based in San Francisco, our tax attorneys boast a wealth of experience, contributing to the firm's esteemed reputation for adeptly resolving intricate tax disputes on a national scale. Recognized both nationally and locally in the annual "Best Law Firms" report by U.S. News, our tax lawyers have garnered high rankings.

With a long history of both fighting and resolving tax matters with government entities, each partner demonstrates a remarkable track record in civil and criminal litigation, with tax controversies as their primary focus. Our team represents a diverse range of clients, including individuals, businesses, trusts, and estates, addressing issues spanning income taxes, employment taxes, estate and gift taxes, sales and use taxes, as well as property and other local taxes. A crucial aspect of our role is to alleviate the anxiety often associated with tax disputes, offering reassurance and guidance throughout the process.

Meet the tax group leaders



Steven M.
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Our Tax Specialists are ready to help

Contact us today to begin your consultation



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