

Special Report: “Six Questions To Ask Any Tax Resolution Firm Before Paying Them A Dime”

When it comes to something as important as resolving your tax liabilities, it is important to conduct research on the tax resolution firm(s) you are considering before agreeing to purchase their services.

What sort of things should somebody do as part of conducting their "due diligence" when evaluating different tax resolution firms?

Question #1: Are you Licensed to Provide Tax Advice?

Many tax resolution firms use unlicensed sales personnel and telemarketers to sell their services. These sales people do not possess the professional knowledge to be advising you on your tax matters, nor are they legally allowed to do so. The only people who can legally advise you on tax matters are Enrolled Agents (EA), Certified Public Accountants (CPA), and attorneys.

Ask the person you're speaking to whether they are licensed. If they say anything other than EA, CPA, or attorney, then they are not licensed.

Some sales people have even been known to make up something or just give you their title at their firm (“Senior Tax Analyst”). Several people have received criminal convictions for this misrepresentation, but it still occurs.

Question #2: What is your BBB Rating?

Ask the company what their BBB rating is, and then verify it. Do a Google search for the name of the company plus the words “better business bureau”. This should take you directly to their BBB record in most cases, and you can see the rating, plus how long they've been in business and how many complaints they have had.

If you are working with an attorney, you can check the state's Supreme Court records to learn when the attorney was admitted to the bar and if there have been disciplinary actions against the attorney. And if you are working with a CPA, you can check with your state's Accountancy Board, or other licensing authority that regulates CPAs in your state, to see if the CPA's license is still active and when the CPA first became licensed.

Question #3: Are you the Actual Person who will be Representing me?

Third, before signing a contract for taxpayer representation, be sure to confirm that the firm providing your representation will assign your case to a licensed representative. You should be guaranteed that your representative is a licensed EA, CPA, or attorney, even if it's somebody else in the firm other than the licensed person you're already speaking to. The IRS will not allow non-licensed representatives to negotiate for a taxpayer, but you would be surprised at how often

large firms have unlicensed assistants doing the actual IRS negotiation. Before you sign a contract or send money, make sure you see the IRS Form 2848, Power of Attorney, which lists the name(s) of the people actually representing you.

Question #4: Have you ever Actually been involved in Negotiating Tax Resolutions?

In other words, has the person you are speaking to actually worked on tax cases as a representative. It's one thing to be licensed, quite another to have actual case experience or not. Because the government is cracking down on sales practices, some sales closers have actually taken the Enrolled Agent exam and become licensed. This is better than not being licensed, of course, but it still does not make them qualified to offer tax advice regarding your IRS debt if they have no actual case experience. Any case-experienced, licensed salesperson should be able to walk you through the case proceedings from start to finish.

Question #5: Will your Services include an Analysis of IRS Collection Statutes of Limitation?

A responsible tax resolution firm will begin their representation by first acquiring detailed information from IRS and computing the IRS Collection Statutes of Limitation on the various amounts that you owe.

Why? Because sometimes the best solution to your tax debt problem is to wait and do nothing.

What? Simply put, IRS has only 10 years (with certain statutory exceptions) to collect what you owe. Then your debt vanishes! So if the 10 year time limit is about to expire, then sometimes the best option is to just do nothing. Because if you apply for an installment agreement or an offer in compromise, this will stop the 10-year clock from running.

Unfortunately, many of the large tax resolution companies never do this analysis. *Why?* Simply put, they can't charge a fee if they tell a client to just do nothing, even if that is in the client's best interest.

Question #6: How do you get Paid and What do Your Fees Include?

As with other professional services, different tax resolution firms have different fee structures and billing practices. And if you are basing your decision solely on price, this can make your task difficult, because there will be no "apples-to-apples" comparison.

The tax resolution industry is notorious for charging clients excessive fees for work that doesn't need to be done. Large national firms that advertise "cents on the dollar" and "offer in compromise" will often prepare and file an "offer in compromise" with IRS before doing an analysis to determine whether a client even qualifies. Then when the offer is rejected by IRS,

they demand even more money to pursue a resolution alternative that they should have pursued in the first place!

Many attorneys and CPAs charge hourly fees. Others have a fee structure that is a hybrid between hourly and flat fee, depending on the services required. If the tax firm you are speaking to works on a retainer basis with hourly fees, rather than a flat fee, be sure to see a schedule of their fees, and get a copy of their billing policy. Similarly, if the tax firm you are speaking to quotes you a flat fee, be sure to get a detailed listing of what the fee does – and does not – include.

There is no right or wrong fee structure for tax resolution firms, but beware of firms that quote you a single flat fee before doing any investigation or analysis. These firms cannot possibly know which resolution option to pursue or the amount of work required without doing any preliminary analysis, and these are the firms most likely to come back and demand even more money later on.

Lastly, be sure that anything and everything you discuss with a tax resolution firm, such as fees, covered services, responsibilities, deadlines, etc., are all in WRITING. Don't sign a contract without seeing everything in writing first.

Armed with these tips, you should be better positioned to make a wise decision regarding hiring professional tax services.