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# The Newsletter
# Faucher & Associates

Trolls Working Overtime?

## Two Tales of Taxes on Patience

In 2013, a client of mine worked for two divisions of ExxonMobil. He was paid and had social security tax withheld by both divisions, thus paying double, so he claimed a credit of $6,500 in overpaid social security on his tax return – but the IRS disallowed the credit, claiming that he still owed $6,500 and penalties and interest! My client wrote to the IRS three times, providing supporting documentation of his double payment of social security. Each time, the IRS responded by acknowledging receipt of my client's correspondence, and said it would need another 90 days to answer "thoughtfully." My client was instructed not to do anything in the meantime, yet he still received bills for $6,500, plus penalties and interest. He contacted me when the IRS finally levied on his bank account, inexplicably taking $527, the amount of penalties and interest, but not the principal. Just as I began work on his case, the IRS returned my client's $527 – with no explanation and without paying the $150 his bank charged him for the levy. Come on, IRS! Telling a taxpayer to do nothing, levying anyhow, and then making the taxpayer pay for your mistake? I'm now looking into this.

> "The IRS tells a taxpayer to do nothing, levies on his bank account anyhow, then makes that taxpayer pay for the agency's mistake. . .?"

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Another client sold some land for $1 million. Vanguard, the investment company, withheld 30 percent of the proceeds for the IRS and 3 percent for the Franchise Tax Board, even though there was almost no gain, and thus no tax owed. My client requested a refund of the mistakenly withheld taxes. When the refund wasn't forthcoming after several months, he began calling the IRS but received a different reason for the delay with each call. Too frustrated to continue dealing with IRS pranksters, he called me. It took a few days to determine that the IRS needed identity verification. Within a week, his IRS refund check was issued.

While getting the IRS refund was relatively straightforward, that was not the case with the Franchise Tax Board. First, the FTB refused to refund the $30,000 because it was claimed on line 71 (*CA Income Tax Withheld*), not line 73 (*Real Estate & Other Withholding*). The FTB demanded an amended return, which seemed like a bad enough joke, then they wanted the wire from Vanguard showing the actual $30,000 transfer to FTB coffers. So Vanguard and the FTB had to speak with each other directly, and not surprisingly it took several weeks and a dozen calls to line up the appropriate officials. Two months after the refund was authorized, the FTB still hadn't sent the refund. What now? It turned out that my client needed to verify his identity yet again, even though he had done so at the outset of the FTB process – and no one mentioned another verification was required. Talk about trolls!

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What did I do that my client couldn't have done himself? I find decision-makers, a key to resolving agency determinations that are often idiosyncratic. There is no single, standardized way to solve a client's problem, so the ability to ask the right questions of the right people is vital and can save time, especially when prankish, frustrating Catch-22 requirements arise. Also, unfortunately, many tax agents are more responsive to attorneys than to taxpayers. No joke.

## THE FAQ FILE:

### WHEN SHOULD YOU GET HELP DEALING WITH THE IRS OR FTB?

The outcomes of the two cases I've described suggest different answers. In the first case, with the overpaid social security, I was hired right before the IRS issued its refund, so the refund would have been issued anyway.

In the second case, with the erroneously withheld federal and state taxes, I was able to resolve the issues more quickly than my client would have been able to because of my experience with the tax agencies.

Most clients call me when they've tried to resolve their issue unsuccessfully for several months, or when they've received a lot of conflicting answers. So if you feel as though you're dealing with trolls, or are up against endless pranks, it's probably a good time to give me a call.

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## WELCOME TO FAUCHER & ASSOCIATES

**John D. Faucher** worked for 10 years as an IRS trial attorney. He and his team speak the legal language. They know the **tax and bankruptcy** systems and can help you get the best results. Have other legal issues? Call us. We'll find the lawyer who's right for you, your friends or family.

**818-889-8080**

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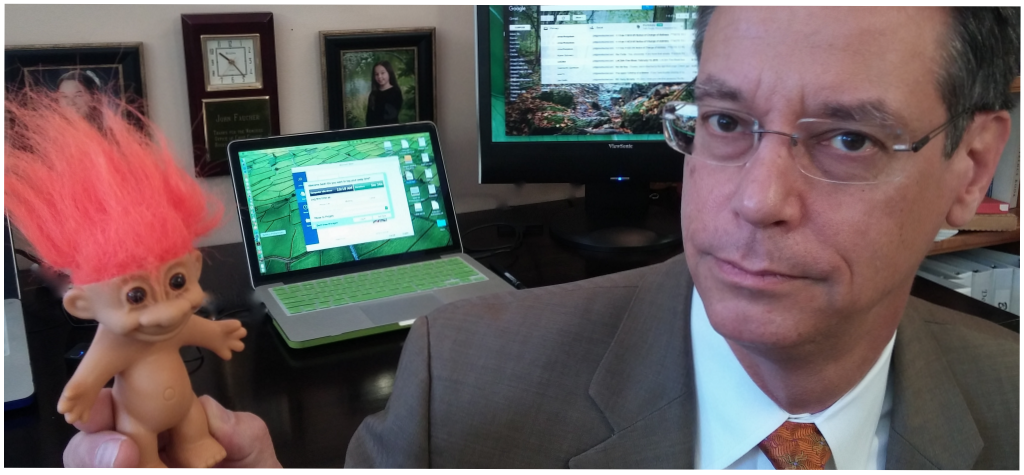
When Tax Problems Feel Like Pranks

# April Fools & Tax Agency Trolls



Many clients first come to me because of the mind-boggling responses they've received about their tax returns from the IRS or California's Franchise Tax Board. So in this issue of The Newsletter, I offer the cautionary tales of two clients whose cases are among those that have made me wonder: Are there tax trolls that mischievously make this stuff up? Or do tax agencies celebrate April Fools' Day year-round? I don't mind the occasional prank, but when you have thousands of dollars at stake, these agency antics are no joke.

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