



HMF UPDATE

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IRS' "Get Transcript" Data Breach

by Tiffany Parker Nutt

In May 2015 the IRS announced that hackers had gained access to approximately 100,000 tax accounts through the IRS' Get Transcript application. This data included Social Security information, birthdays, and street addresses. The hackers had to have sufficient information about the victims as the IRS Get Transcript application has a multi-step authentication process. As a result, the IRS has disabled the Get Transcript application until they are able to strengthen the application's security measures.

Through the Get Transcript application, hackers could receive tax return transcripts, tax account transcripts, record of account transcripts, wage and income transcripts. The data obtained by the hackers varied depending on the type of transcript that was selected. A tax return transcript provides information

from a taxpayer's filed tax return. A tax account transcript shows any adjustments the taxpayer or IRS has made to the filed return. A record of account transcript combines the information from the tax return and tax account transcripts. A wage and income transcript contains information reported to the IRS, such as W-2s, 1099s and 1098s.

The IRS believes the attempts started in February and continued through mid-May. The hackers made approximately 200,000 attempts during this time period, with more than 100,000 of those successful in getting through the authentication process. The IRS stated that it will notify taxpayers if their information was obtained by the hackers. The IRS is offering free credit monitoring for affected taxpayers. Those taxpayers will be receiving specific instructions that

tell them how to sign up for the credit monitoring. Also, the IRS has flagged those accounts for potential identity theft so that the taxpayers can be protected going forward. In regard to the other 100,000, the IRS will notify the taxpayers that thieves may have their personal information.

If you receive correspondence regarding the transcript breach and are not sure if it is actually from the IRS, you should contact the IRS. Please note, correspondence from the IRS will not request personal information such as your social security number, credit card, or financial information. However, the IRS asks that you do not call regarding the breach until you have received correspondence from them, as the phone lines remain extremely busy due to staffing limitations.

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Tax-Related Identity Theft

by Tiffany Parker Nutt

Tax-related identity theft can occur in two ways: (1) when thieves file a fake return under the victim's social security number in order to receive a refund check; and (2) when thieves use stolen information to obtain employment, which makes it appear the victim had more income than he or she actually earned. Tax-related identity theft is increasing at an alarming rate. In the IRS' fiscal year 2014, the IRS assigned more than 3,000 employees to work on identity theft cases. This assignment reduced the number of employees available to handle the IRS' traditional workload.

How do I know if I am a victim of identity theft?

There are several indicators that you are a victim of identity theft. The main indicator is that you tried to file your tax return electronically, but the return is rejected because another return using your social security number has already been filed.

Other indicators include notices from the IRS regarding the following:

- stating that you have wages from somewhere you have never worked; or
- stating you have a balance due, refund offset notice, or have collection action taken against you for a tax year when you did not file a return or receive a refund.

What do I need to do if I am a victim of identity theft?

If you are the victim of identity theft and a fraudulent tax return has been filed in your name, the process of filing your taxes and collecting a refund may be more lengthy and difficult. Identity theft victims have to wait at least six months to have their refunds restored. However, reduced IRS funding and staff levels could result in victims waiting even longer this year.

**IRS Identity
Protection
Specialized
Unit
(800) 908-4490**

If someone has filed a false tax return under your social security number you need to do the following:

- complete Form 14039 Identity Theft Affidavit;
- print a paper copy of your tax return;
- make a photocopy of at least one document to verify your identity (passport, driver's license, Social Security card, or other valid federal or state government issued identification); and

- mail your tax return, Form 14039, and photocopy of the document used to verify your identity to the IRS (using the appropriate address for your state).

If the IRS notifies you that you did not report all of your income on your tax return you will need to:

- respond to the letter as soon as possible (explaining that you did not work at that business and that you believe you are a victim of identity theft);
- complete Form 14039 Identity Theft Affidavit;
- make a photocopy of at least one document to verify your identity (passport, driver's license, Social Security card, or other valid federal or state government issued identification); and
- mail your response, Form 14039, and photocopy of the document used to verify your identity to the IRS (using the appropriate address indicated on the IRS correspondence).

If you are a victim of identity theft, the Federal Trade Commission recommends that you also take the following steps :

- Report identity theft to the Federal Trade Commission at www.identitytheft.gov or the Federal Trade Commission Identity Theft Hotline at (800) 438-4338.

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You Received an IRS Audit Letter...Now What?

by Nick Livers

Recently, people reported receiving phone calls “from the IRS” stating that they are being audited. If you receive such a phone call, you can be assured that the phone call is a scam. The IRS will always initiate an audit by sending a letter by mail. While no one desires to receive such a letter in the mail, it is important to know what to expect if you are one of the few selected for an audit by the IRS.

This initial audit letter will identify the tax returns and tax periods in question, and will include the name and telephone number of the IRS agent handling the audit. The letter typically identifies the issues that the IRS would like the taxpayer to explain or substantiate through documentation. Upon receipt of an audit letter, it is very important that the taxpayer not ignore the letter. These letters should never be ignored, as you may waive many of your rights and arguments if you fail to respond. Rather, the taxpayer should begin preparing a response to the letter as soon as possible. The taxpayer should consult with his or her accountant or attorney to assist in the audit process. The taxpayer should review with his or her accountant or attorney the tax returns in question, the relevant records, and documents that the taxpayer used to complete the tax return. This is done to assess the merits of the

taxpayer’s tax return with respect to the issues identified.

For simple situations, a telephone call or sending the requested explanation or documentation may be sufficient for the IRS agent to review the issue and make a determination. In more complicated situations, a conference may be scheduled between the IRS and the taxpayer or the taxpayer’s representative. The purpose of the conference is for the parties to review the documentation and to determine the proper tax reporting for the issues in question. It is always important to provide requested documentation or explanations to the IRS agent in a timely manner.

At the end of the audit by the IRS agent, the agent will prepare proposed adjustments to the tax, and will submit the proposed adjustment to the taxpayer for review in a document titled the Revenue Agent’s Report. The Revenue Agent’s Report is often referred to as a “Thirty Day Letter” because the taxpayer has the right to seek review by the IRS Appeals Office within thirty (30) days of the issuance of this letter.

If the taxpayer disagrees with the proposed adjustment, he or she may attempt to move the case to the IRS Appeals Office by filing a written protest explaining and documenting the taxpayer’s position within 30 days from the

issuance of the Report. Upon filing a written protest, the agent’s manager and a quality control office will review the protest and determine whether revisions need to be made to the Report, or if the case will be forwarded to Appeals. The IRS has recently taken the position that it has the discretion of whether to send the case to Appeals or not. If the case is forwarded to Appeals, an IRS Appeals Office will contact the taxpayer to schedule a conference. The purpose of the conference is for the IRS and the taxpayer to discuss their positions and attempt to reach a settlement of the issues. If settlement is not reached on Appeals, then the Appeals Office will issue a notice of deficiency, which is also known as a “Ninety Day Letter.” Upon receipt, the taxpayer has the right to file a case in the Tax Court.

If the taxpayer does not file a protest to the Revenue Agent’s Report within the 30 day period, or if the IRS decides not to send the case to Appeals, then the IRS will issue a the Ninety Day Letter. Upon receipt, the taxpayer may either pay the proposed tax, or file a case in the Tax Court.

The best time to seek audit advice from a professional is in the beginning. Call the attorneys of Hyden, Miron & Foster, PLLC as soon as you receive an audit letter from the IRS.

Relief from Federal Tax Liens

by Jane F. Strike

An IRS lien arises when taxes are assessed and you fail to make payment. A Notice of Federal Tax Lien is a document recorded in the public record to put others on notice that the IRS has a right to your property. Federal tax liens may be filed in the real estate records with the Clerk of the Circuit Court in the county where the taxpayer resides or where the taxpayer's land is located, or may be filed with the Secretary of State.

IRS liens cause many problems for property owners. The presence of a lien may delay or prevent the sale of property. Liens may also prevent lenders from refinancing a loan. Liens are tracked by credit-reporting agencies and have a negative effect on credit ratings. There are a number of avenues by which you may seek relief from an IRS lien.

1. The best defense is a good offense. The best defense against a lien is to prevent it from being filed. In 2011, The IRS' threshold for filing a lien was raised to \$10,000 as part of the "Fresh Start Initiative." Even if you are not able to full pay the taxes, if you are able to reduce the liability below \$10,000, this may prevent the filing of a lien.

2. Check their math. After a lien has been filed, it is important to review the lien for accuracy. You will want to verify that the tax years and amounts owed are

correct. If more than one lien is filed, verify that the liens are not duplicates. A duplicate lien will make it appear as though you have more tax debt, which will impact your credit rating. If a lien is inaccurate or duplicative, you may ask that the IRS withdraw the lien. A request to withdraw a lien is made by submitting Form 12277, Application for Withdrawal of Filed Form 668(Y) Notice of Federal Tax Lien, to the IRS' Lien Advisory Group. If the withdrawal is granted, you may also request that the IRS notify credit agencies, banks, and other creditors of the withdrawal.

3. Like it never happened. Withdrawal of the lien may be possible in other circumstances. If you make full payment of the tax debt, you may request withdrawal of the lien if you have been compliant in filing all required returns for three (3) years, and you are current with estimated tax payments and/or tax deposits. Withdrawal may also be permitted if you are in a direct debit installment agreement and meet the following conditions:

1. You are an individual or ongoing business with income tax liability only;
2. You are a business that is no longer operating and have any type of tax debt;
3. You owe \$25,000 or less in tax debt (or pay down to this amount);
4. Your Direct Debit Installment Agreement will provide full

payment in 60 months or before the statute of limitations on collections expires;

5. You are fully compliant with all filings and payments;

6. You have made three (3) consecutive direct debit payments;

7. You have no defaults on the current agreement or any prior Direct Debit Installment Agreement.

Although there are many hurdles to jump through, a withdrawal will be beneficial in removing the lien from your credit record.

4. It's not all or nothing. Even if you are unable to pay the tax liability in full, you may make a partial payment and request a partial release. If you completely pay taxes for a tax year, you may request a release of the lien for that particular tax year. The lien will still remain on the record, but a Partial Release from the IRS will also be on file to reflect the reduction in the amount outstanding.

5. "Sale" away. It may be possible to sell your property with a tax lien present. If the sale proceeds will pay off the lien in full, you may request that the IRS discharge the particular property to be sold from the lien. This request is made by filing Form 14135, Application for Certificate of Discharge from Federal Tax Lien. Although the tax lien re-

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Identity Theft

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- Contact one of the major credit bureaus to place a fraud alert on your records.
- **Experian:** (888) 397-3742; www.experian.com
- **Equifax:** (800) 525-6285; www.equifax.com
- **Transunion:** (800) 680-7289; www.transunion.com

What precautionary measures can I take to lessen the risk of identity theft?

The IRS recommends the following things that individuals can do to lessen the risk of identity theft:

- check your credit report annually;
- check your Social Security Administration earnings statement annually;

Liens

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mains on the record, a discharge releases the specific property from that lien. In the following cases, discharge of a parcel of property may also be available, even though the liability is not fully paid:

1. You own other properties under the lien that are worth double the total of the tax debt plus any other debts that have priority over the tax lien;
2. The IRS receives any equity remaining after senior debt is paid;
3. There is no equity remaining in the property after the senior

- protect your personal computers by using anti-spam and anti-virus software and by using firewalls;
- don't routinely carry your Social Security card; and
- don't give a business your Social Security Number just because they ask for it. Only give your Social Security Number when it is absolutely necessary.

The IRS also recommends that you do not give personal information over the phone, through the mail, or via the Internet unless you are the one who initiated the contact or you are sure that you know to whom you are sending the information.

liens are paid, so that the IRS has no interest;

4. An escrow agreement is established to hold proceeds subject to IRS claims; or
5. You secure a bond equal to the IRS' interest in the property.

The lien is not the end of the line. If you are seeking to refinance your home, the IRS may agree to subordinate its lien. Subordination means that the IRS will permit the new mortgage to have priority over the tax lien, even the mortgage is filed after the tax lien. The IRS may agree to sub-

What is the IRS doing to combat tax-related identity theft?

According to the IRS Global Identity Theft Report issued May 31, 2014, the IRS was able to stop more than 3.6 million returns filed by identity thieves in the 2014 filing season. For the 2015 filing season the IRS has limited the number of direct deposit refunds to a single financial account or to three pre-paid debit cards. This will also stop tax preparers who improperly deposit client refunds into their own accounts.

The IRS has also created an Identity Protection PIN (IP PIN) that is assigned to victims of identity theft. Each year the victim receives a new IP PIN that is used to file their income tax return.

ordination in order to facilitate the loan so long as the IRS will receive any proceeds after the original mortgage is satisfied. A request to subordinate the lien is made by filing Form 14134, Application for Certificate of Subordination of Federal Tax Lien.

The filing of any IRS form requesting lien relief requires a great deal of information and documentation. Please contact the attorneys at Hyden, Miron & Foster, PLLC, if you need assistance in dealing with federal tax liens.

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Return Service Requested

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