



Optima Tax Relief Case Study

A Look at the Tax Resolution Process

A wide range of client cases were selected encompassing offer in compromises (IOC), installment agreements, wage levies, bank levies, substitute for return (SFR) filed by the IRS, and unfiled tax returns.



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Optima Tax Relief Case Study: A Look at the Tax Resolution Process

The U.S. tax code is very complicated, which has led to millions of American taxpayers experiencing a wide array of tax problems. Many of these taxpayers end up in a situation where they owe more to the IRS than they can afford to pay, including interest and penalties. The IRS will use a variety of tactics such as wage garnishments, bank levies or tax liens to motivate taxpayers into repayment. Most often, taxpayers have no experience in dealing with the IRS, and do not have a strong enough understanding of U.S tax law to successfully negotiate a settlement with the IRS.

There are numerous tax relief organizations that offer such services and represent the taxpayer during the negotiation process with the IRS, one of the largest such organizations is Optima Tax Relief. The following are case studies compiled from Optima Tax Relief's database that represent both typical and atypical results achieved by Optima's staff of tax attorneys, enrolled agents, and case managers.

What types of cases were selected for the case study?

A wide range of client cases were selected encompassing offer in compromises (IOC), installment agreements, wage levies, bank levies, substitute for return (SFR) filed by the IRS, and unfiled tax returns.

Are all client cases similar?

Since each client has individual differences within their personal financial situation, tax problem, and the length of time the issue has existed with the IRS, the steps taken to resolve the matter will vary for each particular client.

However, the case studies were selected to demonstrate, to a large degree, the types of tax issues that Optima Tax Relief deals with on a daily basis, as well as the actions taken by Optima's staff in each particular case.



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Case: Graphic Design Artist Settles \$10,500 Tax Liability for \$100.

Taxpayer: Kenny C. – Graphic Design Artist

Tax Problem:

Kenny came to Optima Tax Relief as a self employed, freelance graphic design artist. He had been on an *Installment Agreement* for a tax debt balance, but fell into financial hardship and defaulted. That resulted in the IRS rescinding the agreement and demanding the entire balance due. If he did not pay the entire balance they threatened to file Federal Tax Liens against him. He owed just over \$10,500.

Optima Tax Relief's Solution Process:

Step 1: Optima's team was successful in immediately getting the IRS to approve a *Hold* on their collection activity.

Step 2: Optima was able to prove his financial hardship and place Kenny in a *Currently Non-Collectible* status.

Step 3: Optima was able to negotiate with the IRS to accept an *Offer in Compromise* on Kenny's behalf which settled the liability for a total of \$100.

End Result:

Optima was able to settle Kenny's \$10,500 tax liability for \$100.

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Case: IRS Accepts \$500 Payment for Truck Driver's \$60,000 Tax Liability.

Taxpayer: Keith W. – Truck Driver

Tax Problem:

Keith, a truck driver in California, faced issues surrounding the past 10 years of his tax filings. The IRS threatened Keith with *Intent-to-Levy* notices and aggressive collections for \$60,000.

Optima Tax Relief's Solution Process:

Step 1: Optima's team immediately stopped the IRS from acting on their *Intent-to-Levy*.

Step 2: Optima built an extensive *Offer in Compromise* case.

Step 3: Optima was able to negotiate with the IRS to accept \$500 as a payment in-full for his original \$60,000 tax liability, and close their case against Keith.

End Result:

Optima was able to settle Keith's \$60,000 tax liability for \$500.

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Case: Realtor's Monthly \$5,000 Installment Reduced to \$300.

Taxpayer: Tyler G. – Realtor

Tax Problem:

During the recent recession, Tyler fell behind on his taxes by several years. He received a letter from a Revenue Officer at the IRS indicating he would be required to make payments towards his \$166,000 tax liability. In good faith, Tyler contacted the Revenue Officer and completed financial forms to determine what amount he could afford. He was notified that he would be expected to pay \$5,000 per month and that he faced a possible bank levy if he failed to comply.

Optima Tax Relief's Solution Process:

Step 1: After a detailed analysis of Tyler's case, the team at Optima contacted the Revenue Officer in charge of his case.

Step 2: Optima structured an *Installment Agreement* which brought down his monthly obligation from \$5,000 to \$300 for the first three years of the payment plan.

Step 3: Moreover, Tyler's total tax liability was reduced by \$30,000.

End Result:

Optima was able to reduce Tyler's monthly installment obligation from \$5,000 to \$300, as well as reducing his total tax liability by \$30,000.

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Case: Permanently Disabled Taxpayer Settles \$17,326 Tax Liability for \$50.

Taxpayer: Doris B. – Permanent Disability

Tax Problem:

Doris came to Optima after years of trying to work through troubles with the IRS. On permanent disability and a fixed income of just over \$1,100, per month she currently lives with her daughter. Doris had made several arrangements in good faith with the IRS, but the amount the IRS required was unaffordable. As a result, scheduled payments were missed incurring more penalties and interest. As of April of 2013, Doris faced a liability of \$17,326 and had not yet filed for 2012. In addition, she had accumulated a great deal of penalties for non-compliance in past tax filings.

Optima Tax Relief's Solution Process:

Step 1: Optima was able to establish a *Currently Non-Collectible* status, thereby stopping all collection attempts.

Step 2: Subsequently, Optima presented Doris' case to the IRS and was able to prove that paying her tax debt would create an undue hardship.

Step 3: After completion of negotiations with Optima, the IRS agreed to accept a settlement offer of \$50 as payment in full.

End Result:

Optima was able to settle Doris' \$17,326 tax liability for \$50.

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Case: \$22,420 Tax Liability Settled for \$100, Inheritance Saved.

Taxpayer: Jonathan V. - Unemployed

Tax Problem:

Jonathan's father passed away a couple of years ago and left him an inheritance. Jonathan had to pay taxes on the money because his dad didn't take the appropriate steps that would have shielded the inheritance from IRS taxes. The tax liability was \$22,420, plus an unfiled tax return. Jonathan was initially able to set himself up on a monthly *Installment Agreement* with the IRS, but since he's currently unemployed, it became unaffordable for him and his wife.

Optima Tax Relief's Solution Process:

Step 1: Optima Tax Relief gathered all of their pertinent financial information and completed a thorough investigation of their situation.

Step 2: During the investigation, Optima discovered that the he was eligible for a *Currently Non-Collectible* status.

Step 3: Further negotiations allowed Optima to complete an *Offer in Compromise* for \$100, saving a total of \$22,340.

End Result:

Optima was able to settle Jonathan's \$22,420 tax liability for \$100 with an *Offer in Compromise*.

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Case: Disabled Factory Workers Settle with IRS for \$100, Save \$44,888.

Taxpayer: Randy & Jo R. – Disabled Factory Workers

Tax Problem:

Randy & Jo were struggling. They are raising their two grandkids and live on a fixed income. They almost lost their home to the bank and spent their retirement savings to save it. Jo suffered a back injury which required surgery which placed her on disability. When they called Optima Tax Relief, they owed over \$42,000 to the IRS, and had not yet filed their latest year returns. Randy was close to having his wages garnished by the IRS.

Optima Tax Relief's Solution Process:

Step 1: Optima Tax Relief was able to put an immediate *Hold* on the IRS collection activity.

Step 2: With the IRS collection stalled, Optima conducted a full review of their financial situation. Optima discovered that Randy and Jo were eligible to be placed in *Currently Non-Collectible* status.

Step 3: Due to their financial hardship, Optima was able to further negotiate for them, and lower their balance to \$100 and save Randy & Jo \$44,888!

End Result:

Optima was able to settle Randy and Jo's \$42,000 tax liability for \$100.

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Case: Pastor Settles \$150,000 IRS Tax Liability for \$500.

Taxpayer: Walter C. – Pastor

Tax Problem:

Walter C. is the pastor of his church in California. He and his wife have a modest life with a combined income of just over \$60k/year, living paycheck to paycheck. They owed the IRS \$125,771.07 for the tax years 2000 – 2011. Due to penalties and interest their balances grew to over \$150,000. The IRS was actively pursuing them, was unwilling to negotiate, froze their bank accounts, and started garnishing their wages.

Optima Tax Relief's Solution Process:

Step 1: Optima Tax Relief was able to stop the IRS collection activity almost immediately.

Step 2: By working together with the clients, Optima was able to place them in a *Currently Non-Collectible* status.

Step 3: Next, Optima negotiated with the IRS to agree to a settlement of the balance, ultimately, reducing their debt down to a total of \$500.

Step 4: To prevent a reoccurrence of their tax issues, Optima assisted Walter and his wife on making estimated tax payments throughout the year to avoid owing again in the future.

End Result:

Optima was able to settle Walter and his wife's \$150,000 tax liability for \$500.

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Case: Disabled Print Shop Manager Settles \$10,767 Tax Liability for \$100.

Taxpayer: Roger R. – Disabled Print Shop Manager

Tax Problem:

Roger was a Print Shop Manager out of Texas before a medical heart condition caused him to become permanently disabled, reducing his income by 2/3 of his previous salary. He was not able to afford his taxes and wound up owing \$10,767 to the IRS. He created a payment arrangement with the IRS, but it was unaffordable based on his newly reduced disability income, and it was going to take multiple years to pay off. Both his wife and son started contributing as much as possible financially, but unfortunately it still wasn't enough and they eventually lost their home to foreclosure.

Optima Tax Relief's Solution Process:

Step 1: Optima was able to stop the monthly payment by placing them into a *Currently Non-Collectible* status with the IRS.

Step 2: Next Optima filed their current year tax return which resulted in a maximum refund.

Step 3: Optima applied the maximum refund to reduce their existing balance.

Step 4: Finally Optima negotiated an *Offer in Compromise* with the IRS, reducing the balance to \$100, saving them \$10,667 or 99.07% of their balance!

End Result:

Optima was able to settle the \$10,767 outstanding tax liability for \$100, a savings of 99.07%.

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Case: Sub-Contractor Settles \$42,838 Tax Liability for \$100.

Taxpayer: George C. – Sub-Contractor

Tax Problem:

George is a sub-contractor out of Florida. His business was hit hard with the struggling economy. In order to stay afloat, he had to stop withholding his earnings for taxes, resulting in \$42,838 taxes owed over six different tax years. Eventually, the IRS placed him into collections, and had a lien placed against his home.

Optima Tax Relief's Solution Process:

Step 1: Optima Tax Relief reassessed his filed returns and financial statements.

Step 2: Optima filed adjusted tax returns for the client and were able to get an *Offer in Compromise* for \$100 approved, saving the client \$42,738.

Step 3: The lien against his home was lifted.

End Result:

Optima was able to settle the \$42,838 tax liability through an *Offer in Compromise* for \$100, a savings of 99.76%.

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Case: John Settled His \$35,779 Tax Liability for \$100, Saving 99.72%.

Taxpayer: John A. – Unemployed

Tax Problem:

John had some medical issues that required his hospitalization. As a result, he lost his job. He depleted his retirement savings and had to file bankruptcy resulting in a voluntary surrender his home to the bank as a short sale. During this financial hardship, John took an early distribution of his retirement funds triggering a \$35,779 tax liability to the IRS. To collect, the IRS then placed *Wage Levy* against John.

Optima Tax Relief's Solution Process:

Step 1: Optima immediately negotiated to get the *Wage Levy* released.

Step 2: Optima prepared and filed John's tax return for 2011 which the client had not filed.

Step 3: Optima was able to prove John's hardship to the IRS Revenue Officer who approved a *Currently Non-Collectible* status, allowing Optima time to gather further financials and documents.

Step 4: Ultimately, Optima negotiated an *Offer in Compromise* that reduced the tax liability to \$100, saving John \$35,679 of what he originally owed.

End Result:

Optima was able to settle the \$35,779 tax liability through an *Offer in Compromise* for \$100, a savings of 99.72%.

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Case: \$25,000 Wage Levy Released and Wage Levy Removed Entirely.

Taxpayer: Keith B. – Insurance Agent

Tax Problem:

Keith had not filed his tax return for numerous years. He owed over \$80,000 in back taxes, penalties and interest. The IRS Revenue Officer assigned to Keith's case filed a *Substitute For Return* (SFR) which led to a \$24,488 wage garnishment against Keith's quarterly insurance sales commissions payout, and an additional \$2,000 *Bank Levy*.

Optima Tax Relief's Solution Process:

Step 1: One of Optima's Tax Preparation Professionals helped Keith itemize his expenses and maximize his deduction.

Step 2: The assigned Optima Case Manager and one of Optima's Tax Attorneys worked closely to convince the Revenue Officer to cancel the levy that was placed on Keith's wages.

Step 3: Optima negotiated with the Revenue Officer to release the total amount levied from Keith's wages (\$24,488) and accepted a reasonable payment plan for Keith.

End Result:

Optima negotiated a release of the total amount levied (\$24,488), removed the wage levy entirely, and the IRS accepted a monthly payment plan that Keith could reasonably afford .

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Case: \$90,000 Tax Liability Ruled Non Collectible.

Taxpayer: Keith C. – Retired Farmer/Truck Driver

Tax Problem:

Keith had not filed his tax returns for over 10 years, owing over \$90,000 in back taxes, penalties & interest. The Revenue Officer assigned to this case had levied his bank account and social security income. Additionally Keith's farm could be seized by the IRS.

Optima Tax Relief's Solution Process:

Step 1: Optima convinced the Revenue Officer to remove the levy.

Step 2: Optima convinced the Revenue Officer to realize Keith's hardship and approve a *Currently Non-Collectible* status.

Step 3: Optima demonstrated that the client's situation did not improve while within the 10-year statute of limitations. Because of this, the debt owed to the IRS will become non-collectible and no other form of tax resolution will be necessary.

End Result:

Optima successfully negotiated that the \$90,000 tax liability owed was non-collectible, rendering additional tax resolution unnecessary.

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Case: Self-Employed Plumber Pays \$744 for \$20,000 Tax Debt.

Taxpayer: Tim W. – Self-Employed Plumber

Tax Problem:

Tim developed an outstanding IRS debt of \$20,200 due to incorrect accounting advice. He made about \$2,000 a month with disposable income of \$744. The IRS had given him a deadline of March of 2012 to file back tax returns for 2009 and 2010.

Optima Tax Relief's Solution Process:

Step 1: Optima persuaded the auditor to accept a financial hardship reasoning, thereby placing the taxpayer in *Currently Non-Collectible* status.

Step 2: A few months later this client satisfied the statute of limitations on 2003 back taxes which mandated a year of *Currently Non-Collectible* status.

Step 3: Optima demonstrated that collection of the taxes owed would be unfair and inequitable. Subsequently, an *Offer in Compromise* was submitted to the IRS which led to a pending settlement of just \$744.

End Result:

Optima successfully negotiated the \$20,000 tax debt down to a \$744 *Offer in Compromise* settlement.

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Case: **Bank & CD Levy Release**

Taxpayer: **John G. – Working from Home**

Tax Problem:

John's total IRS debt was \$123,000.00. To collect, the IRS placed a levy on John's savings and checking accounts (joint account with \$12,000 in the bank). The IRS also placed a levy on his wife's CD account which belonged solely to her for \$63,000. This totaled a \$75,000 levy for the three accounts.

Optima Tax Relief's Solution Process:

Step 1: Optima negotiated a 60-day hold.

Step 2: After originally refusing to release the bank and CD levy, Optima's tax attorneys were able to negotiate with the IRS to levy only \$6,000.00 total.

End Result:

Optima negotiated to release \$69,000 from the bank and CD levy, reducing the total levy amount to only \$6000

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Case: Wage Levy Release & Installment Agreement

Taxpayer: Darlene S. – Property Manager

Tax Problem:

Darlene had missing tax returns for the years 2008 – 2013, along with a tax balance of \$11,000. She also had a *Substitute For Return* (SFR) filed for the tax year 2005. Finally, while Optima was dealing with Darlene’s missing tax returns and unpaid tax balance, the IRS issued a *Wage Levy* notice to her employer which was to become effective the following week.

Optima Tax Relief’s Solution Process:

Step 1: Tackling the initial problem of Darlene’s missing tax returns, Optima’s team of tax preparers completed her unfiled returns.

Step 2: Once the *Wage Levy* issue arose, working as quickly as possible, Optima’s team of tax professionals and tax attorneys gathered all the necessary financial documents to have the wage levy released.

Step 3. All the financial documents and unfiled returns were faxed to Darlene’s Revenue Officer with a *Wage Levy Release* request and a proposed *Installment Agreement* as well.

End Result:

The Revenue Officer processed the missing returns which effectively lowered Darlene’s tax liability by \$2000. The Revenue Officer also agreed to release the *Wage Levy* and agreed to the *Installment Agreement* for monthly payments of only \$150.

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