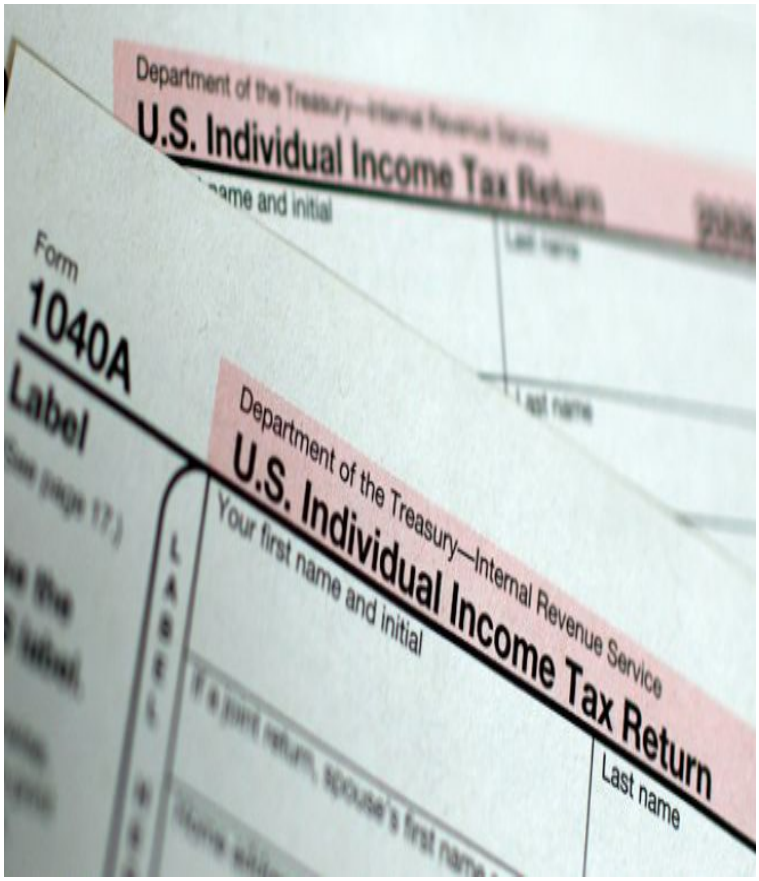
[Government Speech]

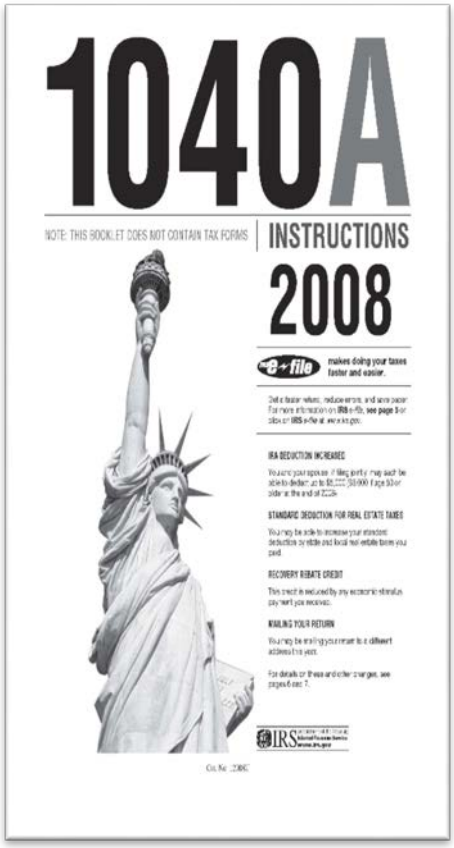
[Government Speech creating spirituality, assessment & empowering Body/Mind/Spirit]

The Taxing Spirit of F.E.A.R.

(False Evidence Appearing Real)

Beware of the Ghost Tax Returns in the Form of 1040A





Part 4. Examining Process
Chapter 12. Nonfiled Returns
Section 1. Nonfiled Returns

4.12.1 Nonfiled Returns

- 4.12.1.1 Overview
- 4.12.1.2 Source of Cases
- 4.12.1.3 Enforcement Period
- 4.12.1.4 Discovery of Nonfiling
- 4.12.1.5 Pre-Contact Analysis
- 4.12.1.6 Income Probes (Nonfilers)
- 4.12.1.7 Fraud Considerations
- 4.12.1.8 Preparation of the Return(s)
- 4.12.1.9 Examination of a Secured Delinquent Return
- 4.12.1.10 Refund Returns- SFR TC 150 Posted

Plaintiff's [conscience] dictates "Nonfiled Returns" is the essence of **F**alse **E**vidence **A**ppearing **R**eal which is designed to create FEAR in any person who fails to believe in, practices or makes a [proper return to the IRS and their path of life, beliefs and practices] ("[proper return]")

The Ghost Tax Return

A spooky name with a hefty price tag

Feb 27, 2012 | WRITTEN BY CHRIS RUSSELL

You really don't want the Internal Revenue Service doing your work for you.

A good example is the ghost tax return. If the IRS discovers a person has reportable income and did not file a return, they prepare Form 1040–which is also known as a "substitute for return."

On it, they list your income and calculate the tax you owe, add in interest and (of course) a penalty for not filing, and then send you the bill.

You may notice something missing from the list of what goes on the ghost return—deductions. That's because the **IRS only knows what you made, not what you can write off**. It doesn't take mortgage interest, charitable donations, dependents and other such things into account.

If you file no tax return and thus aren't able to claim items that could lower the amount you are responsible for, be prepared for a bill. If you get one of these in the mail, it is possible to then file and have it properly adjusted, but you never want to let it get that far.

Nobody outside of the government likes taxes, but that is no excuse to ignore them. You must remember to report all your income (including tips and other forms of cash payments) and file your returns each year.

Otherwise, don't be surprised if the IRS decides to haunt your mailbox.

Source: New York Times

https://www.mytotalmoneymakeover.com/article/the-ghost-tax-return

This Halloween, Beware the Ghost Tax Return

Posted on October 18, 2013 by 1800administrator Posted in 1800Accountant.com, Tax Tips, Taxes

At Halloween, ghosts can be great fun without being scary. But a “ghost tax return” prepared by the IRS can haunt taxpayers for years if they don’t respond quickly to IRS notices.

Many taxpayers are afraid of getting a notice from the Internal Revenue Service (IRS). But some of them can be forgiven if they look as if they’ve seen a ghost when an unexpected IRS notice arrives – because what they’re seeing is a ghost tax return.

What’s a ghost tax return? Luckily, it’s something that most taxpayers will never see. A ghost tax return is what the IRS calls a “substitute for a return”. The only taxpayers who will ever see one are those the IRS had decided had reportable income, but didn’t file a return after several reminders. So the agency prepares a ghost tax return.

The taxpayer receives:

- Form 1040 that lists the income reported to the IRS, and calculates the tax due.
- A demand for payment of the taxes that are due on the reported income plus added interest and penalties for failure to file the required return and make payment on time.

There’s no reason to fear a ghost tax return. All you have to do to avoid this kind of haunting sight is file your tax returns on time.

Costly Procrastination

In case you’re among those who hate to file tax returns, don’t be tempted to let the IRS do it for you by preparing a ghost return on your behalf. The “convenience” comes at a high price, because the IRS uses only the income reported on a Form W-2, K-1, or 1099, plus any interest and dividends paid to the taxpayer by a financial institution or any assets sold. Ghost returns don’t consider any factors that might reduce the amount owed.

Now that nearly all taxable payments are reported electronically to the IRA, it’s easier and faster for the agency to identify taxpayers who aren’t filing returns. And that can be especially costly to small business owners and self-employed people.

“There can be a big difference between payments received and taxable income,” says Brendon Pack, a Vice President at 1800Accountant. “They may be billing a client for supplies or other expenses. But the IRS has no way of knowing that, so they will simply plug the gross payment into the return it prepares.”

It’s also costly for taxpayers who sell assets such as a house, stocks or bonds. “The IRS won’t know the original cost of the asset that was sold, and whether it qualifies as a capital gain or is ordinary income,” Pack adds.

And, of course, the IRS doesn't have any way to know about any deductions a taxpayer could have taken if they had prepared the return themselves or with the help of a tax preparer. "Deductions matter. And if a tax return is based only on income, it's going to result in a much higher tax bill than one that includes even the most basic deductions such as those for dependents, or a home mortgage," he said.

The IRS says that it investigates about a million situations every year where it receives a notice of taxable income that can't be matched to a tax return. But not all of those will result in a "substitute for return". Some will get a visit from a law enforcement officer with handcuffs instead, and others won't result in any action at all because the IRS can't identify the taxpayer who should have filed.

What to Do if You See a Ghost (Return)

If you are among those taxpayers who do attract the attention of the IRS with a ghost return, you can file the past-due return yourself, and ask the IRS to adjust your account. By filing a return that's late, but correct, you may still face penalties or interest, but nearly all non-filers can save money with a proper tax return instead of a substitute prepared by the IRS.

Sometimes taxpayers are even due a refund, but there is a statute of limitations on IRS refunds, so refunds will only be given on returns filed within three years from the date that the return was originally due.

The worst thing a taxpayer who gets a ghost return from the IRS can do is to try to run away or ignore the notice. Not responding with an amended return and payment can result in a range of collection activities including:

- Frozen bank accounts
- Liens on houses and other tangible property
- A levy on paychecks
- Notices to customers to send payments owed to a self-employed person to the IRS instead

Don't let things get that far. If you failed to file because you didn't think your income met the threshold, talk to a tax advisor and file as soon as possible. No matter what the reason your return wasn't filed, if you receive any kind of notice from the IRS, pay attention to it and respond as soon as you can

http://1800accountant.com/blog/this-halloween-beware-the-ghost-tax-return/

Beware The Ghost Of Tax Returns Past Due

Guest Author - Kate Woods

You know that you've missed the deadline to file your personal federal tax return for the current year. You go to the mailbox and hold your breath when you check your mail. You check your caller ID every time the phone rings thinking oh no, what if it's the IRS. You are haunted by that eerie feeling that someone or something is after you. You are experiencing what I refer to as a Tax Trauma.

Many of the people who fail to file their returns on time do so because they own money that they can't pay and they assume that it's better to delay filing their return until they have the money to pay their balance due. Some people don't file their return because they have only a minor refund due to them and they decide that it's not worth their effort.

Unfortunately, if you meet IRS requirements for filing and you don't file your return you will be charged a failure to file penalty; and if you have a balance due you will also be charged a late payment penalty and interest on the past due balance that accrues daily. Interest, compounded daily, is charged on any unpaid tax from the due date of the return until the date of payment. The interest rate is the federal short-term rate plus 3 percent determined every three months. If you filed on time but didn't pay on time, you'll generally have to pay a late payment penalty of one-half of one percent of the tax owed for each month, or part of a month, that the tax remains unpaid after the due date, not exceeding 25 percent. The one-half of one percent rate increases to one percent if the tax remains unpaid after several bills have been sent to you and the IRS issues a notice of intent to levy. The ghostly apparition of Tax Returns Past Due grows and grows larger and larger each day.

What should you do to avoid being haunted by the ghost that is ever looming and seeking out non-filers? Of course the answer is to file your returns on time. If it is the first deadline of the filing season of April 15th, you have the option of filing an automatic extension of time to file and receiving six additional months to get your act in order and to get your return filed. If you do not file an extension your return is at that time already late and the penalties and interest begin to accrue and the ghost begins to grow and possibly to pursue. If you file an extension, you have the additional time until October 15th to gather your information, and if you file the return before the extended due date you are not charged a failure to file penalty but if you have a balance due you will be charged interest for the time from the first deadline until the date that you file the return with the payment. In the event that you cannot send the payment with the return you have the option to request an installment agreement by filing Form 9465 Installment Agreement Request with the return or by filing the return without a payment and when you receive a notice in your mail from the IRS, following the instructions by responding by mail or phone by the required response date and requesting an installment agreement. At that time if you can show just cause that you had a reasonable cause for your failure to pay timely you should request that the penalty be abated and the IRS may remove the penalty.

Now if you missed both the deadlines, whether you have a balance due or not you have failed to file a timely return and that big ghostly apparition is now a part of your life until you file your return and even if you know the Ghostbusters personally and you are able to convince yourself that "you ain't afraid of no ghosts", the fact is that until you take action to correct the situation you just never know how big that penalty and interest Ghost of Tax Returns Past Due will grow and when it will appear looking for you and your past due tax return.

I hope you're enjoying Tax Facts on the Taxing Subject of Taxes!

http://www.bellaonline.com/articles/art41923.asp

Don’t Plan On Filing? Prepare For The Ghost Return

If you do not file your tax return, the Internal Revenue Service will eventually do it for you. Seems kind and considerate, right? Not so fast.

If you have years of unfiled tax returns, the I.R.S. will file a “Substitute For Return” (SFR) on your behalf – but in doing so, they use data from the income side, AND leave out any items that may offset that income. This means that the I.R.S. will not look for any deductions whatsoever – how would they know your deductions? Find out these details, and more, by getting your IRS Account Transcript professionally examined.

http://www.taxdefensepartners.com/dont-plan-on-filing-prepare-for-the-ghost-return/

If You Don’t File, Beware the Ghost Return

By CHARLES DELAFUENTE FEB. 11, 2012

WHEN confronted by a letter from the Internal Revenue Service, some people look as though they’ve seen a ghost. And when they open certain letters, a few people do see a ghost — or, more accurately, the ghost of a tax return.

When the I.R.S. detects that a person had reportable income but did not file a return — even after much cajoling — it steps in and does the job itself. Based on what it knows, the agency prepares what it calls a “substitute for return” — a Form 1040. It lists income, calculates the tax due, adds interest and a penalty for failing to file, and sends the recalcitrant taxpayer a bill based on its efforts.

In one way, that may be a relief to procrastinators who just didn’t get around to filing — perhaps for years. But it often comes at a very high price.

Substitute returns are really no substitute for ones that taxpayers could have filed themselves. That’s because the I.R.S. uses data from only the income side when it creates such a return, which means that it doesn’t include all kinds of items that might offset that income, according to Julian Block, a tax lawyer in Larchmont, N.Y.

Credit Victo Ngai

The I.R.S. works from W-2 reports of wages paid, filed by employers, and reports of payments to self-employed people from companies that used their services. The agency also uses reports from financial institutions about interest and dividends paid and reports from brokers about assets sold. All these things are taxable income.

Sidney Kess, a certified public accountant and tax lawyer at Kostelanetz & Fink in New York, says the I.R.S. now has an easier task in detecting delinquent taxpayers because it receives electronic reports of far more kinds of income than it did several years ago.

What the I.R.S. does not consider, Mr. Block and Mr. Kess said, are offsetting amounts like exemptions for a brood of six children or deductions for mortgage interest or a big charitable contribution or thousands of dollars of dental work.

For self-employed people, in particular, there is often a big disparity between payments received and taxable income, because much of what they receive goes for supplies or salaries or other expenses. But the I.R.S. will know only the gross payment, and will plug that figure into its return.

It does not even know about the original cost of assets that were reported sold.

In other words, the I.R.S. does not include many of the deductions to which a nonfiler may be entitled. But this doesn't mean that the I.R.S. is being mean or vengeful or evil.

"In fairness to the I.R.S., they generally give the individual more than ample opportunity to get a return filed" before stepping into the breach, said David Donnelly, a tax and business manager in the Melville, N.Y. office of Marcum L.L.P., a national accounting firm.

The I.R.S. is candid that it does not even look for deductions. In a fact sheet in what it calls the "tax gap" series on its Web site, the I.R.S. warns that a substitute return it prepares is a "basic" one that "will not include any of your additional exemptions or expenses." It is, in Mr. Kess' words, "the worst possible result for the taxpayer."

Substitute-return calculations "are always based on a standard deduction," Mr. Block said. "The I.R.S. does it in a straightforward way. It treats you as a single person. It makes no difference that you could have filed a joint return."

The substitute return is its move of last resort, said Anthony Burke, an I.R.S. spokesman, and is prepared only after sending the taxpayer several letters saying it has no record of a return for a given year. Mr. Block calls them "We miss you" and "We're thinking of you" letters. Typically, the return will not be prepared for at least a year, after the I.R.S.'s patience has worn out.

The I.R.S. investigates about a million "nonfiler situations" a year, Mr. Burke said. But it does not prepare a substitute return for everyone that it believes failed to file. People in the underground economy do not leave a trail that can contribute to such a return, tax experts said. If those people are caught, they may not get an official printout in the mail. A visit from someone who dangles handcuffs from a belt is more likely.

And the I.R.S. substitute is not used when a taxpayer has filed a return but the agency believes that he or she failed to report some income. It has other methods for resolving those issues — often an audit, Mr. Burke said.

A taxpayer prompted to action by a substitute return can file the return that he or she should have filed in the first place, and "the I.R.S. will adjust the taxpayer's account accordingly," Mr. Burke said.

That step, in which taxpayers can claim their exemptions and deductions, can sharply cut the amount due or even yield a refund.

Many nonfilers wouldn’t owe large amounts if their returns were done properly. The I.R.S. fact sheet says its research shows that such failures “could simply be due to procrastination.”

Mr. Donnelly recalled the case of a client whose sale of hundreds of thousands of dollars’ worth of stock was reported to the I.R.S. The agency sought tax on that amount on a substitute return, having no way to know that the client earned almost no profit on the sale. With an accurately prepared return, he said, she was due a small refund.

But even if a return calls for a refund, it won’t be paid if the return is filed more than three years after it was due, because of a statute of limitations, Mr. Block said.

ONCE a ghost return appears in the mail, simply avoiding it isn’t a viable option. The I.R.S. will send reminders, Mr. Kess said. If there is no response, it will start collection efforts, based on its calculations.

“The worst thing a taxpayer can do is not file a return and then ignore letters from the I.R.S.,” Mr. Burke said.

But taxpayers sometimes do just that, provoked by “fear, paralysis, and denial — how could this be?” as Mr. Donnelly put it.

Mr. Block says enforcement efforts against people who don’t respond are quite straightforward. “You don’t need Eliot Ness to do this,” he said. Typically, the agency will put a levy on an employed person’s paychecks, taking a chunk from each one until the bill is paid. It may direct a company that pays a self-employed person to send the money directly to the government. It can also freeze bank accounts and put liens on homes.

Unpleasant though it may be, filing a tax return — and paying the bill to begin with — may prove much more appealing than those alternatives.

A version of this article appears in print on February 12, 2012, on page BU10 of the New York edition with the headline: If You Don’t File, Beware the Ghost Return. Order Reprints| Today's Paper|Subscribe

http://www.nytimes.com/2012/02/12/business/yourtaxes/irs-steps-in-for-nonfilers-at-a-potentially-high-price.html?_r=0