

The “Daily Plan-It™”

SHUMATE BROKERAGE CORP.

Volume 9, Issue 17

8/23/2007

IRS Provides List of Frivolous Claims

Today we're sharing something different. As professionals, we've all had clients come up with some great ideas to create ways of reducing income taxes. The IRS, on April 2, 2007, published Notice 2007-30, which covered the area of frivolous claims that they strongly discourage taxpayers from using when filing returns. These have either no valid basis in existing law, or have been deemed frivolous by the United States Tax Court, or other federal court. But, nonetheless, they're commonly used. We thought we'd share them with you for your reference.

Never share your frivolity with the IRS

Most of the arguments are created by what the IRS calls “promoters.” These are people who are selling a product or service to the public with the argument that if you buy into the service or product, there'll be no liability for taxes. I'll admit that after reading it, I agree with the IRS that some of the arguments are just that frivolous. You can download the Notice at http://www.irs.gov/pub/irs-utl/friv_tax.pdf , or you can review my summary below. There are quite a few; but to give you a flavor, I thought I'd list some of my favorites:

- (1) False arguments made that wages are income that's not taxable. Or, by filing “0 due,” you're not responsible for the tax.
- (2) Claims insisting that paying taxes is voluntary.
- (3) Statements claiming that before overdue taxes can be collected, the IRS must provide Form 23C (Assessment Certificate—Summary Record of Assessments).
- (4) Claims that if a taxpayer is not a U.S. Citizen, but rather a citizen of an individual state, he's not required to pay federal taxes. Or, if the taxpayer is a citizen of a federal territory or a federal employee, there's no tax due.

CPAs probably hate it

I'm sure that many of our CPA colleagues have heard all of these arguments before. Some of them are nonsense. But, it's important to understand that most of these promoters are attempting to drive a wedge between the client and his CPA. You see it done with many questionable strategies. The tax promoter will say, “Once you pay me for this great idea, don't tell your CPA or he'll steal it from us.”

This is where we come in. I know this may not be part of your regular practice, but you may just want to visit the IRS website and read such frivolous arguments. It will be surprising to me if you haven't heard about one of these arguments over the years.

We hope you continue to enjoy these articles, and if you have anything you think we can help you with, we'd appreciate the business.

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