Emergency Tax Problem Response Plan

PFL Academy - Chapter 2.5: Tax Planning and Compliance

> **Important:** This template is designed to help you prepare for potential tax issues. Complete it now, save it in your records, and update it annually. Having a plan ready will help you respond calmly and effectively if you encounter tax problems.

1. Contact Information

My Information:

Full Legal Name:	
Social Security Number:	XXX-XX-_____ (last 4 digits only)
Current Address:	
Phone Number:	
Email Address:	

Tax Professional Contact (if applicable):

Name:	
Company:	
Phone Number:	
Email Address:	

2. Document Checklist

Use this checklist to quickly locate important tax documents in case of an emergency:

Document Type	Location	Years Available
Tax Returns (Federal)		
Tax Returns (State)		
W-2 Forms		
1099 Forms		
Business Income Records		
Deduction Documentation		
Credit Documentation		
Prior IRS/State Correspondence		
Other:		

3. Common Tax Notice Response Plan

Tips for Handling Tax Notices:

- **Don't panic.** Many notices are routine or may even be errors.
- **Read carefully.** The notice will explain why you received it and what action you need to take.
- **Respond promptly.** Most notices have deadlines for response.
- **Keep copies** of all correspondence with tax authorities.
- **Get help** from a tax professional for complex issues.

IRS Notice Response Steps

1 **Document the notice**

- Notice number (e.g., CP2000, CP3219): _____
- Date received: _____
- Response deadline: _____
- Issue described: _____
- Amount in question (if applicable): $_____

2 **Verify the notice is legitimate**

- Check the IRS notice number and official IRS P.O. Box
- Verify through official IRS channels (not by calling numbers listed on suspicious notices)
- Official IRS website: www.irs.gov
- Official IRS phone: 1-800-829-1040

Warning signs of scams:

- Demands for immediate payment via gift cards, wire transfers, or cryptocurrency
- Threats of immediate arrest or deportation
- Requests for personal information via email, text, or phone

3   **Gather relevant documentation**

Documentation needed for this notice:

4   **Determine response approach**

Based on the notice, I will (check one):

☐ Agree with the notice and pay the amount due

☐ Partially agree and provide documentation for disputed items

☐ Disagree and provide documentation to support my position

☐ Request additional time to respond

☐ Seek professional assistance before responding

5   **Prepare and send response**

- Include a copy of the notice with your response
- Send required documentation and explanation letter
- Use certified mail with return receipt for paper responses
- Keep copies of everything you send

My response method (check one):

☐ Mail response to the address on the notice

☐ Submit response through IRS online account

☐ Respond through tax professional

6   **Follow up and document resolution**

- Date response sent: _____
- Confirmation/tracking number: _____
- Follow-up date (30 days after response): _____
- Resolution notes:

4. Payment Problem Response Plan

If you cannot pay your tax bill in full, these options may be available:

Payment Option	When to Use	How to Request
Short-term payment plan (120 days or less)	When you can pay in full within 120 days	Online at IRS.gov/opa or call 1-800-829-1040
Long-term payment plan (Installment Agreement)	When you need more than 120 days to pay	Online at IRS.gov/opa, by phone, or Form 9465
Offer in Compromise	When you cannot pay the full amount, even over time	Form 656 and Form 433-A or 433-B
Temporarily Delay Collection	When paying would prevent you from meeting basic living expenses	Call IRS at 1-800-829-1040

My preferred option if I have payment problems:

5. Audit Response Plan

Types of IRS Audits:

- **Correspondence Audit:** Conducted by mail
- **Office Audit:** Conducted at an IRS office
- **Field Audit:** Conducted at your home, business, or accountant's office

If Selected for Audit:

1   **Initial steps**

- Verify the audit notice is legitimate (check IRS.gov)
- Note all deadlines
- Determine if professional representation is needed
- Request an extension if more time is needed to prepare

2   **Document gathering**

Common documents needed for audits:

- Tax returns for the years being audited
- Supporting documentation for income (W-2s, 1099s, bank statements)
- Supporting documentation for deductions and credits claimed
- Business records (if applicable)
- Investment records (if applicable)
- Records of major purchases or sales

3   **Professional representation**

Consider hiring a professional if:

- The audit is complex or involves multiple years
- Significant amounts of money are at stake
- The audit involves business returns
- You're uncomfortable representing yourself

Professional I would contact in case of audit:

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4 **During the audit**

- Be professional and courteous
- Answer questions directly but don't volunteer additional information
- Provide only the documents requested
- Keep copies of everything submitted
- Take notes of discussions and questions asked
- Ask for clarification if you don't understand something

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5 **After the audit**

- Document the outcome
- If you disagree with the findings, know your appeal rights
- Update your tax planning practices based on audit feedback
- Keep all audit documentation for at least 7 years

6. Tax Problem Resources

Resource	When to Use	Contact Information
IRS Taxpayer Advocate Service	When you've tried to resolve issues with the IRS but haven't succeeded	1-877-777-4778 www.taxpayeradvocate.irs.gov
Low Income Taxpayer Clinics	Free or low-cost representation for low-income taxpayers	www.taxpayeradvocate.irs.gov/litc

Volunteer Income Tax Assistance (VITA)	Free tax preparation for those who qualify	1-800-906-9887 www.irs.gov/vita
Tax Relief Initiative	When you need help with back taxes or penalties	www.irs.gov/newsroom/irs-offers-new-relief-options
State Tax Department	For state tax issues	[Your state's tax department website and phone]

Additional resources I might need:

7. Prevention Plan

Steps I will take to prevent tax problems in the future:

1.

2.

3.

4.

5.

Date to review and update this plan: _____