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# Confidential

# IRS Contractor Report

## What You Can Do to Avoid The Nasty Techniques IRS Uses To Abuse Contractors and Collect Taxes!

Dear Contractor,

Life is tough enough as a contractor without having to worry about the IRS.

Constantly looking for good employees or subs regularly takes up gobs of time that you don't have...

And, dealing with pushy customers, stubborn generals and slow suppliers is enough to make you think about a career in bartending.

The IRS has absolutely no idea of the constant stress you are under.

And, if they did they wouldn't even care!

Let's look at what happens to Contractors when it comes to taxes. I'm not going to bore you with facts and figures and a bunch of tax terms, I'm just going to tell you how it really is.

First of all, contractors have not been trained in taxes or for that matter in running a business.

Most likely, you worked for someone else and learned your trade well before you went into business.

Now your construction business is growing as well as your IRS Problems. You know you should be doing something differently but you are not sure what.

**This is where the nasty part of the IRS comes in...if you wait for them to get to you, you will be operating at a severe disadvantage.**

**It's like fighting Mike Tyson with one hand tied behind your back.**

It's easy to find yourself in this position. If you relate to all this, the rest of the information in this report will be of the utmost importance to you, your business and your family.

There is so much BS out there about what the IRS does and does not do...that you don't know what to believe and what applies to you. Once someone gives you the straight and narrow, you'll have the information you need to avoid the nasty things the IRS can do to you, your business and family.

Here is a look at the most common ways Contractors get into IRS trouble and how you can avoid them.

It's a tossup which is more common: Not Filing or Not Paying.

The reality is that both of these IRS problems are often found together.

Not paying estimated taxes is an easy way to start your IRS problems.

The dates that quarterly estimated tax payments are due make no sense...The dates are April 15<sup>th</sup>, June 15<sup>th</sup>, September 15<sup>th</sup> and January 15<sup>th</sup>.

These dates are not quarter ends and some of the due dates are only 60 days apart. What's up with this? No wonder contractors get confused as to making estimated payments!

If you can remember the quarterly estimated tax due dates (you're in the minority). Another confusing IRS calculation that often causes Contractors to skip their estimated payment is how are you supposed to know how much to pay?

**Missing one or two quarterly estimated tax payments may not seem like the end of the world ...but, it is certainly the starting point of big IRS troubles.**

What happens is that after a Contractor misses one or two or all of the required estimated tax payments for a whole year, they start getting scared that they owe a bunch of taxes and penalties.

Well in most cases they are right...and this is where BIG IRS Problems start!

When money is short, many contractors decide not to file their tax return on time or at all! They hope this will buy some time to get caught up.

Instead, they slide down a slippery slope that always leaves them worse off than if they just filed on time and dealt with the fact that they owed taxes for last year.

Compounding the pain, the due date of the Contractor's personal tax return (April 15<sup>th</sup>) is also the due date of the Contractors first quarterly estimated tax payment.

I've found that many Contractors who fail to file one tax return often fail to make the next year's first quarter estimated tax payment and start the cycle all over again.

In order to avoid this starting point of IRS Problems, you need to discipline yourself to file your tax return on time even if you can't pay a penny.

Yes, it's much better to file and owe... than to not file and owe. Let me tell you why!

**The IRS is very sensitive to taxpayers who blatantly disregard the tax laws and especially the tax law that says you must file a tax return each year.**

In fact not filing your tax return could be considered a CRIMINAL ACT. That's right, you can be prosecuted criminally and charged with "failure to file".

The criminal penalty for failure to file is punishable by one year in a Federal Prison for each unfiled tax return! Certainly not something that most Contractors have in mind when they miss filing a tax return.

So, let's avoid this possible outcome altogether and make sure you file a tax return each year on time regardless of how much you owe. *(If you have some unfiled tax returns, then call my office for a free confidential consultation to discuss having your tax returns prepared as soon as possible to avoid any loss of your freedom.)*

**Now that you've filed, the next most common problem is owing the IRS taxes, penalties and interest and not knowing what to do about it.**

All kinds of confusion exists in Contractor's minds as to what the IRS does to Contractors who can't pay.

The IRS has all sorts of weapons to impose on unsuspecting Contractors who owe back taxes, penalties and interest, including seizing your assets.

In many cases, IRS levies checking accounts and funds owed to you by generals or customers. Taking your money right out of your bank account is bad enough...but, even worse is...

The IRS attempting to collect your taxes from customers or generals; they want as little to do with the IRS as possible.

The last thing they want is for your IRS problems to cause them to have to deal with the IRS in any way. Whether it is for you or for themselves.

It typically causes them to distance themselves from you, avoid doing business with you in the future, and makes them aware of your IRS problems. Who knows who else they might mention it to as well.

All of this can cost you a fortune in lost business: both present and future. Additionally, it leads to games that are played when generals or customers are forced to turnover the money they owe you to the IRS.

I've seen situations where the general or customer is legally forced (levied) to pay the IRS the money they owe you, but the general or customer lowballs the amount they say they owe you. They argue that

the work you did was unfinished or not done properly and they owe you a lesser amount. Try to collect what you earned in that scenario!

**This means the IRS not only screws up your reputation, but also when they attempt to collect all the money your generals and clients owe you, they fail to collect the total amount due from generals and customers and then turn to you for the difference.**

Imagine how you'll feel with all your generals and customers looking at you sideways and wanting nothing to do with you because of your tax problems. At the same time, you are dealing with the IRS and a bunch of taxes, penalties and interest.

The way to avoid such a nasty outcome to an IRS problem is by not providing the IRS information about anyone who owes you money.

The sooner you share this information with the IRS the worse off you'll be in negotiating a settlement with them.

Sure, they can force you into telling them who owes you money along with their address and how much they owe you ...but, you don't have to give that up during your initial discussions with the IRS.

Instead, you'll want to work towards some type of resolution with the IRS with the understanding that they will not contact any of the generals or customers that owe you money unless you fail to live up to whatever deal you negotiate with the IRS.

This is a much better solution than giving the IRS control over your Contractor business by handing them a list of your best generals and customers.

**Remember, it is not the IRS's job to care what happens to you, your business, or your family. Good thing, because they don't.**

Business relationships that took years to build can be ruined overnight by the IRS. Do not put yourself in that position by giving them more information than they need unless legally required to.

Most IRS employees have no idea what it's like to run a business and make a payroll. Don't expect them to even try to understand.

You're dealing with an individual who has chosen the security of a government job and regular paycheck.

The IRS takes a very harsh line when it encounters Contractors who are behind in making payroll tax deposits or filing the quarterly payroll tax reports.

Many Contractors have another IRS problem. They may be assessed with payroll taxes because IRS claims some of your independent contractors should be treated as employees.

Sometimes the IRS would just as soon close your company than attempt to work out some type of resolution. The first meeting with the IRS regarding unpaid payroll taxes is often the most important.

What is said during this initial meeting with the IRS may decide whether or not your Contractor business remains open. Be very careful how all questions are answered during this initial interview with the IRS.

Problems in life can usually be put into 2 Categories. The first category is problems that will get better by themselves if you just wait, like the common cold. The second category is problems that will never get better by themselves and in many cases will only get worse, like a hole in the roof of your house.

IRS problems fall into this second category; they do not get better by themselves. In fact, they get worse the longer they are left unattended. Call me for a Free Confidential Consultation to discuss ending your own IRS problems before they get worse!

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Penn", with a long horizontal flourish extending to the right.

Scott M. Penn, CPA, CTRS

PS. If you're not ready to deal with your own IRS Problems today then do a friend, business associate, sub, or employee a favor and give them this letter. They'll be happy you did and you'll be doing the right thing! If you're set to get started ending the IRS problem now, call today for a no-risk appointment.