

NAVIGATING IRS NOTICES



With tax season now over, the IRS has begun sending out notices for recently filed returns. There is no need to panic as these notices are sent for a variety of reasons that do not always involve owing more tax or penalties. The IRS may need more information to process the tax return, have an error in matching to a W-2 or investment statement, need to verify identity or have questions about the information provided.

If you receive mail from the IRS, do not panic. Open the letter and read it carefully and completely. The letter will explain why the IRS is contacting you and will provide the steps on what to do next. Share the letter with your tax advisor or accountant, they can explain the letter in more detail or will help with addressing the letter. The IRS will never contact taxpayers via phone or email unless a relationship has already been previously established.

The IRS has published [Tax Tip 2022-62](#) on how taxpayers should proceed when a letter or notice is received:

- Do not ignore it
- Do not panic
- Read the notice carefully and completely
- Respond timely
- Pay the amount due if you agree with the notice

- Keep a copy of the notice or letter
- Remember there is usually no need to call the IRS

The IRS still has a backlog of unprocessed tax returns and unprocessed amended tax returns from last year. Once these returns are processed, the notice may be satisfied if there is a loss carryover over or the prior year's overpayment was expected to be utilized on the 2021 tax return. Due to the delays caused by COVID and changing tax laws, the IRS is taking longer to resolve notices and taxpayer replies are worked on a first-come, first-served basis, and will be processed based on the date the IRS receives them. The IRS is hiring and training more employees to reduce the backlog, but subsequent notices may cross in the mail with the reply to the original notice.

Next, it's time to start planning on how to resolve the outstanding tax balance. There are [five IRS options](#) to consider, each with pros and cons. Individual circumstances will determine which option is best.

If the taxpayer agrees with the changes and there is an amount due, there is no need to contact the IRS. The instructions for the payment are on the letter and the amount due should be paid by the requested due date. If the amount is not paid timely, the IRS may charge additional interest and penalties. The taxpayer should pay as much as they can, even if they cannot pay the full amount due. The taxpayer can always set up a payment plan with the IRS.

If the taxpayer does not agree with the changes or the IRS is requesting more information, the taxpayer must follow the instructions in the letter on how to address the issue. By responding quickly, the taxpayer will avoid delays in processing their return, minimize any additional penalty and interest charges and maintain their rights to appeal any disputed changes.

The taxpayer or their advisors can also send written correspondence to the IRS to the address indicated on the notice or call the IRS to discuss the notice if more clarity is needed. As a reminder, the IRS is understaffed and has a large call volume so response time may incur long delays.

If you need assistance with addressing or responding to a tax notice you received, your [BMF team](#) can help you determine the best way to proceed.

