

LEARN THE SECRETS OF SUCCESS IN THE NEW ECONOMY  
FROM TODAY'S LEADING ENTREPRENEURS & PROFESSIONALS

# SUCCESSONOMICS



Featuring

**Nick Nemeth, Steve Forbes**

*& Leading Experts from Around the World*

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# SUCCESSONOMICS

## CHAPTER 44

# **PENNIES ON THE DOLLAR: FACT OR FICTION?**

BY NICK NEMETH

If you earn money in any capacity, the Internal Revenue Service (IRS) is destined to get their fair share from you. As an attorney who focuses his practice on tax resolution, I have worked with people from all aspects of the economic spectrum. From high net worth professionals to lower net worth general laborers, people from all walks of life encounter problems with the IRS.

Needless to say, in today's economy, protecting your assets is of paramount importance to you and your family. One of the quickest ways to jeopardize your assets and your overall financial wellbeing is by ignoring an IRS problem. If such a problem arises, immediately seek out experienced legal representation to ensure a manageable problem doesn't cascade into a financial nightmare wherein you find yourself facing levies, garnishments and seizures.

### **DEALING WITH THE IRS CAN BE INTIMIDATING**

When people encounter the relentless daggers of the IRS they often panic. That is a very natural reaction. Let's face it, no one enjoys dealing with the IRS or any other collection agency for that matter. Usually people are not prepared to just write a check for the amount due so they begin to look for someone to help them.

Many people are familiar with the persistent commercials they see on television or hear on the radio for tax resolution companies. These companies are generally not law firms and many don't even have attorneys on staff. Their advertising tactics are slick, engaging and often misleading. They appear on the airwaves nationally so many times that people will remember their name. I'm sure you have seen or heard their commercials many, many times. The FTC and the Attorney Generals from various states have started cracking down on these misleading businesses, but they are still out there. If they get closed down, my guess is that many of them simply change the name of the business and do it all over again.

A lot of people, when they get that letter from the IRS or they realize they are going to have a problem, are enticed to call these national or regional non-attorney tax resolution services. I have known some brilliant people such as doctors, lawyers and engineers that come to me after they have wasted thousands and thousands of dollars on these unscrupulous services because they are the personalities that just want to have it fixed quickly and have someone make it go away. They have seen the television commercials and the organization appears to be reputable. After all, they have been advertising on television for years so they must be legitimate, right? Wrong! People who have an IRS issue will pay these services a lot of money, but in the long run, often don't get the results they need or the representation they deserve.

### **THE "PENNIES ON THE DOLLAR" FANTASY**

What entices people into the grasp of these non-attorney tax resolution businesses are the ads tailored to "pennies on the dollar" resolutions. If you get a letter from the IRS saying you owe them \$50,000, of course you are going to want to talk to someone that tells you they can get your problem solved by settling for "pennies on the dollar."

The non-attorney tax resolution companies use a consumer tested sales pitch. There is a reason they talk about "pennies on the dollar." It's because that's what everyone wants to hear. They boast, "We will get rid of all the penalties and interest and help you settle for pennies on the dollar." How many times have you heard that and in how many different ways by how many different companies? And in reality, what more could you possibly want to hear? They are promising they can deliver

EXACTLY what you are looking for. These companies are in essence telling everyone who owes the IRS money that they can resolve their problem through what is termed an “Offer in Compromise.” The Offer in Compromise is a legitimate option if you qualify, but not everyone qualifies. Realistically there is no way to know if someone is going to qualify until you’ve worked together for a few weeks. The commercials you see on television are nothing more than a sales pitch. Anyone can file and request an Offer in Compromise, but the million-dollar question is, “Will it be accepted?”

### **LOCAL EXPERIENCED TAX RESOLUTION ATTORNEY VS. NATIONAL NON-ATTORNEY TAX RESOLUTION COMPANY**

There is a drastic difference when you are dealing with a local, experienced tax attorney who you can sit with face to face versus dealing with some tax resolution company fifteen states away. When I do an initial consult with a potential client by phone or in person, it’s a fact-finding mission. What are the specific facts of their case? I need this information so I can establish the direction that will best help my client and determine if it’s possible to save them money through an Offer in Compromise solution. Unfortunately, not everyone is a candidate for an Offer in Compromise. If they don’t qualify, I explain to them why they don’t qualify and we also discuss what other manageable options might exist to resolve their IRS problem. On the other hand, with the non-attorney tax resolution companies advertising on television, it is always a promise to get rid of penalties and interest and they always lead you to believe you will be able to settle for pennies on the dollar. Unfortunately, that is not the reality.

### **THE REALITY OF THE “PENNIES ON THE DOLLAR” CONCEPT**

The Offer in Compromise program is actually one of the most difficult things to accomplish because you’re asking the IRS to write off debt. So, you know they are going to do their due diligence when reviewing your case. Again, it’s one of the most difficult programs to get accepted.

Additionally, there are different types of offers so you will want an experienced attorney to make sure the type of offer you select is appropriate for your situation. Is it an offer based on “doubt as to

collectability?” Is it an offer based on “effective tax administration?” You want to make sure you chose the right one in order to give your Offer the very best chance of acceptance. Additionally, they are going to want a detailed personal financial statement and business financial statement if you operate a business. What are your assets? How much equity is there in those assets? What is your total monthly income? Where is that money going? You want to make sure you present this information in a way that is likely to benefit YOU, not Uncle Sam.

Often these non-attorney tax resolution services make the Offer in Compromise option sound like walking onto a used car lot to purchase a car. You see \$8,000 written in shoe polish on the windshield of a vehicle. If you pull \$6,000 cash out of your pocket, odds are that the sales person will take \$6,000 for the car because he wants that money. Negotiating a settlement with the IRS is not like that. It’s formulaic. It’s based on equity and asset tables and income and expense tables. And, more importantly, it’s based on allowable versus non-allowable expenses.

A lot of people come to me and say, “I’m broke at the end of the month. I barely have \$50 to go to a movie with my wife once a month.” But, they make \$130,000 a year. Well, they have an \$800 a month car payment and their mortgage is \$2,700 and numerous other expenses that exhaust their paycheck. However, just because they spend all the money they earn on expenses doesn’t mean they qualify for an Offer in Compromise. It is important to understand that when you are negotiating with the IRS they are allowed to tell you how much you can spend on a car, how much you can spend on your mortgage and how much you can spend on food. Once they take out all your numbers of what you are spending and replace them with their numbers, they may determine that you have \$2,000 to \$3,000 of extra income at the end of the month when you don’t think you have 2 or 3 dollars left over.

This is why you need, and I’ll say it again, an experienced, local tax attorney. There is a certain way you want to present all this information. You don’t want someone to represent you who doesn’t understand the process. It is a difficult program, but that shouldn’t discourage people who owe the IRS money because it can be done if you meet the requirements. If you do meet the requirements, the Offer in Compromise is the way you should resolve the debt because it’s the best solution out

there and it will give you the finality to this problem you are seeking.

## **BASIC REQUIREMENTS FOR AN OFFER IN COMPROMISE**

There are some basic requirements in order to even apply for an Offer in Compromise with the IRS. This is one major place where many of the national tax resolution companies are very weak and really don't have a clue as to what they are doing. Here are a few of the basic requirements:

1. All your tax returns must be filed. You cannot have any non-filed returns from previous years.
2. If you are a business owner, the Federal Payroll Tax Deposits must be current.
3. If you are self-employed, you have to pay your taxes quarterly and you must be current on those quarterly payments.

If, for example, someone is not current on their estimated quarterly payments, the offer is going to be denied. This is what I encounter periodically. Someone comes to me and says, "I hired a national tax resolution company and everything seemed good. But I just received a denial of my Offer in Compromise. I've tried to call the tax resolution service and they won't answer the phone or return my calls. I don't know why this was denied and I can't get any answers from the tax resolution service I've already paid to help me." After I review their situation I find that no one ever told them that they can't miss their estimated payments because it's grounds for denial.

When an experienced local law firm, such as ours, is dealing with local revenue officers or dealing with a specific Offer in Compromise Unit, we have very likely dealt with them before and they know our firm is reputable and when we say we are going to do something they know we will do it. That doesn't mean we will get a better result as compared to someone that doesn't know them because it's not a matter of favoritism. But again, we're experienced with this process and our experience is the catalyst that drives better outcomes.

Keep in mind that the job of those in the Offer in Compromise Unit, in my opinion, is to find a way to deny an offer and they usually will. That means, in a lot of cases, we have to appeal that decision. Even before we appeal the denial, we will go back and forth with the Offer in Compromise Unit as many times as we can to get it resolved without



appeal. But, ultimately, there may be a denial and then you have to go through the formal appeal process.

Who do you think is going to be better suited to deal with the Office of Appeals? Is it going to be someone that is an experienced tax resolution attorney or is it someone that took a test and is now able to represent taxpayers? Common sense dictates here. You want to be as well equipped as possible with a strong team working on your behalf.

## **THE GOVERNMENT ALWAYS HAS AN OUT**

Another problem is that the government basically has an “out.” Even if you meet most of the criteria, the government can still say, “No, we’re not going to accept it because we don’t think it’s in the best interest of the Federal Government.” Or “We’re not going to accept this because we think you will be able to pay this in full before the statute of limitations expires 9 or 10 years from now.” When the rules are stacked in favor of the government you always want to make sure you present the application, financial statements and every other piece of documentation in a way that is going to benefit you and not the Government. That’s the issue I encounter when I have a client coming to me who previously used a tax resolution company. The problem is that we don’t know what was presented before and we basically have to start from scratch.

Even if an Offer in Compromise is accepted, you need an attorney on your side to make sure the acceptance process actually comes to fruition. There are a number of rules that can breach the offer after it has been accepted by the IRS. For example, if you’re paying off this offer over time, it has to be done a certain way. If you file your tax return one day late three years after the offer was accepted, the whole offer can be reversed. If you miss making your estimated quarterly tax payment sometime in the next five years, the whole offer could be reversed. So, if you have an Offer in Compromise accepted by the IRS, you will want to make sure someone is overseeing the process from beginning to end so that you decrease the possibility of getting it reversed by not meeting the IRS established requirements.

## **IT BOILS DOWN TO THIS**

If you are facing any type of IRS problem ...

1. You want someone who is a highly-experienced tax resolution attorney to represent you.
2. You want someone with a flat fee because hourly billing can accumulate very, very quickly when dealing with IRS issues.
3. You want someone who is local, so you can sit face-to-face with them to discuss your options.

I encourage you to do your due diligence when selecting an attorney to help you with your tax resolution problems. When trying to find the right attorney, call the Better Business Bureau. Call the State Bar to make sure they are in good standing. Google their name for “complaints” or “law suits.” You need to know who you are paying to fix your problem. This is too serious of a problem to take lightly. When you have organizations like the U.S. Treasury and the IRS that can ruin you financially, it is crucial that you do your homework thoroughly with respect to whom you chose to represent you.

And please remember, if your Offer in Compromise is eventually denied, there are several other possible solutions that can give you a manageable way out of your IRS nightmare. So select your representative carefully... your financial future may depend upon it.



## About Nick

Nick Nemeth is a Texas attorney and best-selling author who has been in practice for over 15 years. His law practice, The Law Offices of Nick Nemeth, PLLC, focuses solely on helping individuals and businesses resolve a wide range of IRS issues.

Nick has been featured in *USA Today*, *The Wall Street Journal*, *Forbes Magazine*, *Yahoo Finance* and *Morningstar*, as well as having appeared on ABC, NBC, CBS and Fox affiliates around the country.

As a long-time resident of Dallas, Nick possesses a unique quality only present in those who truly love their home—a complete and personal investment in the lives of the people of his community. By creating a truly local presence in the Dallas-Fort Worth Metroplex, Nick brings his 15 years of legal experience to those who truly need it ... individuals and businesses who are being threatened by the IRS.

Nick's ultimate goal in his practice, for any of his clients, is to provide efficient, cost-effective legal representation. He firmly believes that when any taxpayer is facing an "opponent" who happens to be a branch of the federal government, one who's able to seize your property and assets without going to court, that taxpayer should arm him/herself with an aggressive, experienced law firm. Nick's staff includes attorneys, CPAs, enrolled agents and tax professionals who are dedicated to keeping ahead of an ever-changing industry: solving IRS problems. Nick is known for constantly saying, "My only job is to keep the IRS as far away as possible from my clients' assets until I negotiate an acceptable solution to their problem."

Nick was driven to become an attorney by his desire to help serve others and make a positive impact on the world. He's pleased with having found a niche in which he has been able to accomplish both these goals. He loves the satisfaction of working for a diverse clientele who are unequivocally pleased with his representation. His dedication to his practice is a benefit to all in the area of law he's focused on—helping his clients solve their IRS problems.

Having traveled to places like Sweden, Austria, Denmark, Canada, Hungary and the Caribbean, Nick appreciates the ties that continue to bring him back to Dallas-Fort Worth: his law practice, his wife and five children, and the abundance of sports and community activities that keeps the family man busy.

To learn more about Nick Nemeth and his law practice, as well as his special report, *How to End Your IRS Problems Forever*, visit: [www.myIRSteam.com](http://www.myIRSteam.com) or call (972) 484-0TAX (0829).