

# THE SMALLBIZ BUILDER

Planning For Your Dreams



May 2015

PADGETT BUSINESS SERVICES®

Volume 13, Number 5

## This Month:

- What if I Can't Pay My Taxes?
- Employee Retention Strategies
  - Statute of Limitations
- Should I Panic if I Receive an IRS Notice?

## What if I Can't Pay My Taxes?

Don't panic! You aren't alone; many taxpayers have found themselves in financial distress and unable to immediately pay. If you cannot pay the full amount of taxes you owe, you should still file your return (or extension) by the deadline and pay as much as you can to avoid penalties and interest. You also should contact the IRS to discuss your payment options, such as a **short-term extension to pay**, an **installment agreement** or an **offer in compromise**. In some cases, the IRS may even be willing to waive penalties. Remember though, no matter what option you choose, don't ignore your tax obligations; they won't go away but will likely get worse, resulting in tax liens or garnishment of wages.

Remember, the IRS is far more willing to work with you if they believe you're making reasonable efforts to resolve the issue on your end!

## Statute of Limitations

After you file your taxes, you'll have many records that may help document items on your tax return. You'll need these documents should the IRS select your return for examination. Generally, this means you must keep records that support items shown on your return until the statute of limitations for that return runs out.

The statute of limitations is the period of time in which you can amend your return to claim a credit or refund or the IRS can assess additional tax. Returns filed before the due date are treated as being filed on the due date.

## Employee Retention Strategies

Whenever there is an economic downturn, some newly hired employees may be over qualified for the job which they were hired. This means that you might get a great deal when it comes to their salary. The problem is, once the market rebounds, they may start looking for another new job, one that better suits their skill set. What should you do?

First, consider their value in their current position. Unless you can move that person to a position for which they're properly qualified, it may not be worth it to bend over backwards to keep them. On the other hand, it might be worthwhile to sweeten the pot if you can find a way to use the employee's strengths. Employer loyalty, job satisfaction, the ability for upward mobility or options for working from home may be just what that employee you'd like to keep might want. Check with your local Padgett Office for a more detailed evaluation of your current employment strategies!

## Should I Panic if I Receive an IRS Notice?

No, absolutely not! Each year, the IRS sends millions of letters and notices to taxpayers for a variety of reasons. Many can be dealt with simply and painlessly. Here are some tips:



- Notices may request payment of taxes, notify you of changes to your account, or request additional information. The notice will likely cover a specific issue about your account or tax return and provide specific instructions on what you're asked to do to satisfy the inquiry.
- If you receive a correction notice, you should review the correspondence and compare it with the information on your return. If you agree with the correction, then usually no reply is necessary unless a payment is due or the notice directs otherwise.
- If you don't agree with the correction the IRS made, it is important that you respond as requested. You should send a written explanation of why you disagree and include any documents and information you want the IRS to consider, along with the bottom tear-off portion of the notice. Mail the information to the IRS address shown in the upper left-hand corner of the notice. Allow at least 30 days for a response.
- Most correspondence can be handled without calling or visiting an IRS office. However, if you have questions, call the telephone number in the upper right-hand corner of the notice. Have a copy of your tax return and the correspondence available when you call to help them respond to your inquiry.
- Always keep a copy of the notice (and any correspondence) for your records.

**PADGETT BUSINESS SERVICES®** is dedicated to meeting the compliance, profit & financial government reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.