

Is Your Resolution To Get Past Serious Tax Problems? Five Considerations In Cleaning Up Tax Problems This Year.

It's the time for New Year's Resolutions. [Cleaning up tax problems](#) will be a resolution for many. Here are five considerations in shaping and implementing your tax resolution.

1. Address The Present Before The Past. In most situations, the highest and best use of your resources is to address current filing and payment obligations. Your advisor can explain the many reasons for ending inappropriate practices, getting into compliance, and paying-as-you go for current matters as soon as possible.
2. In Our New (Tax Informational) World You Must Wrap Up Loose Ends. The tax authorities have more information and more sophisticated data sorting capacity than ever. It's riskier and potentially costlier than ever to not comply, "fudge," or partially comply with the tax laws. *Data sorting and informational sharing are particularly effective at identifying partial compliance.* Now is the time to get into **full compliance** and minimize exposure to penalties.
3. Do Not Let Your Fear Make Matters Worse. It is frightening to owe large tax balances or to knowingly be in violation of the tax laws. People that tell you not to worry because the tax laws are illegal or unconstitutional, or that seek to justify your decisions after the fact with "reliance letters," are not the solution but another, potentially larger, problem. Always determine the cost and benefit of any proposed course of action, and specifically ask about your downside exposure.
4. Have A Realistic Time Frame For Resolution. You probably took years to get into your situation. It is unrealistic to expect a resolution in two weeks. In most cases, the tax authorities will take months to evaluate your proposal, process delinquent returns, etc. Develop a short and medium term plan, in consultation with your advisor, to resolve your tax problems.

5. Select A Competent Advisor. There are many levels of tax “advisors” and it’s a largely unregulated business with some shady business practices and fanciful advertising claims. Television and print media are filled with quick-fix ‘solutions’ and testimonials that seem too good to be true, just a “1-800” telephone call away. None of these commercials seem to take on thornier problems: problems beyond unfiled returns or tax balances. A competent tax professional should be able to advise you on *your* tax problems.

Here are some of the factors in hiring a tax professional:

- Can they explain my options in a way I can understand?
- Do they specifically tell me the consequences, including criminal and civil penalties, of my present situation and their recommendations to head off, minimize, or resolve those penalties?
- Can they set out a proposed course of action for me, provide an estimate of its chances of success, and describe how their fees relate to the course of action?
- Are the professionals accountable to an independent regulatory authority, such as the local bar association, the CPA board, etc.?
- Have they worked for someone previously with a situation like mine, or, if not, can they explain why they might be successful with my situation?
- Do I feel comfortable with this person?

Now is the best time to follow through with your resolution and minimize the consequences of less than full compliance with the tax laws.

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