



Newsletter

JULY 2010

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Dottie Randazzo

Our office will be closed for the following holidays:

September 6th – Labor Day

Our next newsletter will be mailed out the beginning of October 2010.

Remember if you have an article that you would like to contribute to our newsletter just fax it to us for our review. We must receive the article no later than September 15th for our October newsletter.

INSIDE THIS ISSUE

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WE'RE CELEBRATING 17 YEARS IN THE BUSINESS!

Like Wow! I would like to personally thank each and every one of you. We appreciate your loyalty and referrals. Like everything in life, the way of doing business has changed over the last 17 years. We take great pride that we are flexible and ride the wave. We strive to keep our clients informed with the current laws regarding state regulations and changes.

Our clients database consist of approximately 1/3 being attorneys, 1/3 being cpa's, accountants, e.a.'s and the rest being entrepreneurial individuals.

Once again thank you! Without you we wouldn't be celebrating 17 years!



HIDING MONEY AND PAYING TAXES

The days of moving money to an offshore haven are over, unless you are in denial and like living on the edge.

The United States is the only industrialized nation that taxes its overseas

citizens, subjecting them to taxation in both their country of citizenship and country of residence. For this reason, more U.S. expatriates are turning in their passports.

The United States government has implemented tougher rules requiring expatriates to report foreign bank accounts exceeding \$10,000, with stiff financial penalties for noncompliance. This system is widely perceived as overly complex with multiple opportunities for accidental mistakes and life-altering penalties.

These stringent measures were put into place to prevent Americans from stashing undeclared assets in offshore banks, but they also make life increasingly difficult for millions of law-abiding expatriates.

The U.S. government requires other countries to abide by its banking and financial rules when dealing with expatriates, Americans living abroad are often denied services because of the increasingly complex legalities and logistics involved in serving U.S. customers.

Some experts believe that by relinquishing their U.S. citizenship, expatriates help strengthen the U.S. economy and at the same time escape the financial burden of double taxation. It will be easier for an expatriate to get a job abroad, set up and own private companies that can promote American exports.

In case you are wondering what the process is to relinquish U.S. citizenship, well it's a simple process: after filing in a few forms, and in some cases, paying an exit tax (based on the applicant's worldwide income and assets), the former citizen received his cancelled passport in the mail.

The US. Department of Justice is battling it out with the Swiss banking giants since last summer. The Swiss banking giants are being accused of helping wealthy Americans hide billions of dollars. To absolve itself of criminal charges, UBS (one

of the world's largest wealth managing banks) has agreed to pay a \$780 million penalty and release the names of 250 clients that the IRS suspects of evading taxes.

But that was not the ending. In February, the Department of Justice filed a civil lawsuit against UBS seeking the identities of 52,000 more Americans suspected of stashing a total of \$15 billion at the bank. The next ruling on this case is scheduled for August 3rd, so that the countries have enough time to negotiate a settlement.

Credit Suisse, Switzerland's second largest bank, and UBS have told Americans to move their money into specially created units registered in the U.S. or lose their accounts. Many smaller Swiss banks are turning away Americans.

HOW TO WIN RELEASE OF YOUR SEIZED PROPERTY

The IRS can seize your home, but it cannot throw you out. As a practical matter you have about 90 days between the date of seizure and a public auction or sealed bid sale of the property. You have another 180 days where you can stay in possession, after your property was sold to a successful bidder. During this six month period you can redeem or re-acquire your real estate for what the buyer paid, plus interest. Once the 180 day redemption period passes, the buyer can commence eviction proceedings, but this may take another several months. This means you have approximately one year of rent-free living from the date of seizure.

There's no similar right of continued possession with personal property. The IRS can take possession of cars, boats and other property from the date of seizure. Moreover, you have no right of redemption with personal property, as you do with real property. How can you win the release and return of your seized property? Any time prior to sale the IRS may release seized property, if:

- You enter into an acceptable payment agreement. Quite often the real motive of a seizure is to prod the taxpayer to solve their tax problem by selling or refinancing property. Taxpayers can be lax until they are about to lose valued assets, then they often do find money.
- Release will facilitate collection. This would apply, for example, to business assets. Presumably business assets in operation generate more than they would at auction, and this income can be used to pay the tax bill.
- The tax liability is satisfied or no longer enforceable. Payment in full will obviously bring about a release, but so too will passage of the statute of limitations. In either instance the IRS must release seized property.
- Bankruptcy is filed. A bankruptcy filing (whether under Chapter 7, 11 or 13) automatically stays any further action by the IRS unless and until they have approval to proceed by the bankruptcy court.
- You file a bond equal in value to the seized asset. You may also substitute collateral of equal or greater value.

HOW TO BUY YOUR ASSETS BACK FROM THE IRS

IRS auctions often fetch as little as 40 percent of the actual value of the seized property. Sometimes less. Your best strategy then may be to allow the IRS to sell your home, car, boat or other property at public auction. If you can raise the money to cover the high-bid, why not buy your property back through a third-party or straw? This is a practical approach, for example, if the IRS has a \$300,000 lien on your \$100,000 home. Let it go to auction and you may possibly re-purchase your home for \$50,000.

The IRS must establish a minimum price bid. It can then sell the property at public auction, or through sealed bid, at the price equivalent to or greater than the minimum price bid. Watch the minimum bid established by the IRS. They usually accurately predict what property will bring at a distressed sale. To calculate this bid amount, the IRS first establishes the fair market value of the property under a normal sale. They then deduct 20 percent, and then another 25 percent, representing the distress sale influence on the price. Thus, a home valued at \$150,000 would end up with a \$90,000 minimum bid requirement (\$150,000 less \$30,000 less \$30,000).

An unreasonably low appraisal value may help you to literally steal your property back. On the other hand, it would also allow the IRS to sell your property too cheaply to outside bidders. This may not produce the proceeds necessary to eliminate your tax bill or give you a surplus. Once you know the minimum bid, try to convince the IRS to release your property to you for that amount. Remember – all you have to pay is the equity the IRS has attached. This might be quite nominal. This can make sense to the IRS since they can avoid the expense of an auction sale. Caution: Should you re-acquire the property, take title through a corporation or trust, rather than in your own name.

HOW TO WORK FOR THE IRS – WHETHER YOU WANT TO OR NOT

The wage levy is the IRS' most far-reaching power. This remedy is particularly effective because there is no limit on the amount of wages the IRS can take, except for a personal exemption of \$75 per week plus \$25 per week for each dependent, including your spouse. The IRS need not file successive levies to attach future wages. One levy remains in effect until your tax liability is fully paid.

Wage levies, as one of the more extreme measures in the IRS collection arsenal, and is ordinarily used only when less drastic collection efforts fail. But not even the IRS can realistically expect a single wage earner with a net salary of

\$500 to give the IRS \$425 and survive on \$75 a week. Thus, the wage levy serves to prod the taxpayer into a payment plan when all other efforts fail. Work out a repayment plan with the IRS before they resort to a wage levy. The IRS is usually more lenient at that point. Two key strategies you can use to counteract an IRS wage levy:

- If you own your own business, divert your income to your spouse or adult children who may work in the business. They can then gift the funds back to you. Be prepared to prove that your spouse or children are performing services for the business so you can justify their income.
- Set up another corporation to perform certain services for your primary business. You can then take your payroll from the subsidiary corporation instead of your primary business. Eventually the IRS may discover where your wages are coming from, however, this may take as long as a year. You can then repeat the process with a new subsidiary corporation. This is a perfectly legal and workable strategy.

What if you work for a large company or an employer who insists upon honoring the levy? Of course, if you owe modest taxes that can be paid with several paychecks, then you may have to grin and bear it. However, if your tax liability is so large that it cannot be quickly liquidated, you have only two options: First, negotiate a repayment plan with the IRS that you can live with. Remember: To bring you to that point was probably Uncle Sam's objection in the first place. Second, if you cannot negotiate a reasonable deal, then consider bankruptcy. This is strong medicine so avoid it if you can. Final alternative: Quit your job. It's not the sensible move for most people, but it can be for the few with other sources of income unknown to the IRS.

Most of us in the United States believe strongly in free enterprise; but sometimes we forget that freedom and duty always go hand in hand, and that if the free do not accept social responsibility they will not remain free.

John Foster Dulles

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