



April 26, 2011

Tales of Tax Violations

Austin County Negotiates with IRS

The tax problem stemming from the failure of a county employee to submit federal payroll forms to the IRS has resulted in a fine of more than \$77,000 to Austin County. The non-submission of the forms also meant that Austin County had failed to remit \$378,672.55 in taxes. Now the County is seeking to negotiate with the IRS over the fine.

The same employee continuously ignored instructions from the IRS to file the missing forms for up to one and a half years. The mystery is how such a drastic omission could have escaped the attention of supervisors, something the County has been trying hard to explain the last 5 months. The employee concerned has not been named but has since been terminated and the hefty payment paid. The money due to the IRS was accumulating in an account used to transfer money each quarter. But the money was not being sent to the IRS, and this resulted in the penalty imposed on the County.

Now Austin County is seeking to negotiate to either reduce or have the fine waived altogether. The County has engaged CPA Gary Chaney as its

representative, who has made submissions at the Austin County Commissioner's Court last Monday. All conversations between Chaney and court commissioners took place behind closed doors in an executive session, with no parties wanting to comment on details following the meeting.

Chaney had earlier met with representatives from the IRS on April 20. Outside the court, Chaney made no comments about the discussion with court commissioners when approached for answers, merely saying, "I'm sorry, I cannot speak on it at this point. Hopefully I will be able to soon."

About Cheating Tax Preparers

The IRS has been on the hunt for cheats who masquerade as tax preparers. So far, the IRS has identified 19 such paid tax preparers. They either did not disclose a criminal tax conviction or were permanently banned from preparing tax returns. This crackdown is part of continuing efforts by the government in tightening the supervision of the tax preparation industry.

More than 700,000 tax preparers register with the IRS and pay the annual fee of \$64.25. Most of these are legitimate and qualified tax preparers but there are always a few rotten apples. To weed out the bad ones, the IRS has enforced a registration system where a 9-digit Identification Number known as a PTIN is assigned to every registered tax preparer. This number is compared to a database kept by the IRS' Office of Professional Responsibility.

Furthermore, beginning this year the IRS will make background checks on some of the tax preparers and conduct competency tests and continuous education programs for all paid tax preparers.