

IRS News Release

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IRS Suspends Tax Practitioner for Failing To Provide Service Related to Offers in Compromise

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WASHINGTON — An enrolled agent was suspended from practice before the Internal Revenue Service by the Office of Professional Responsibility on April 6 for not performing services related to offers in compromise (OIC) paid for by taxpayers.

Enrolled Agent Richard Hargus worked in California for two separate, now defunct companies that specialized in tax resolution services, which included submitting OICs to the IRS.

Multiple taxpayers paid the companies for Hargus to resolve their income tax liabilities through the OIC program. In many instances, the taxpayers either did not receive the services for which they paid or received very little assistance with resolving their tax issues.

An offer in compromise is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. Absent special circumstances, if a taxpayer has the ability to fully pay the tax liability in a lump sum or through installment agreement payments, an offer in compromise generally will not be accepted.

Tax practitioners are subject to the regulations issued under Treasury Department Circular 230. Specifically Circular 230 provides that a practitioner must exercise due diligence in preparing or assisting in the preparation of, approving, and filing of tax returns, documents, affidavits, and other papers relating to Internal Revenue Service matters.

Following an investigation by the IRS, Hargus admitted a lack of due diligence in these taxpayers' situations. The IRS suspended Hargus from practice for a period of time lasting at least 18 months.

The IRS is taking a closer look at tax resolution companies, and is also litigating known OIC abuses to ensure that tax professionals fulfill their legal and ethical obligations to their clients in dealing with IRS tax matters.