

# Fishing Information Newsletter

*News You Can Use from the Internal Revenue Service*  
New England District

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April 2000

## Message from the Coordinator

This issue of the FIN marks the last time we can say this is "News You Can Use From the New England District" — for the tides of change within the IRS are taking the newsletter in a new direction.

What began as an electronic news item for New England readers has gradually found a national audience — both within the fishing industry, as well as among tax professionals that work with this special group of taxpayers. The advantage of using an e-mail newsletter, and the ability to share it outside the Northeast, has brought us inquiries from Gulf Coast fishermen, as well as tax issues from companies in the Gulf of Alaska. This growing subscription list that spans the country finally prompted us to step back and assess whether our local information was now serving *all* our newfound customers.

To assist in "growing" the newsletter to meet these national demands, the IRS office in Washington, D.C. will soon be assuming the responsibility of writing, publishing, and distributing the FIN. This will place additional resources, technology and technical expertise at the disposal of a new national fishing newsletter editor. With this move, the hope of making the FIN available on the IRS Web site, with an interactive forum, is also a step closer to reality.

I would like to thank those individuals who helped me bring the concept of a Fishing Industry Newsletter into existence. Without their "can do" attitude, the newsletter might still be just a good idea that never got launched: Kathie Buzzell (Bangor, ME), who maintains the e-mail, fax distribution lists and fields numerous inquiries from around the nation; Jan Cormier (Boston, MA) who does the professional text layout and newsletter design; and Helen Herzer (Boston, MA) who serves as copy editor.

It is my intention to work with the Washington office during the transition to ensure the FIN continues to provide real-life information to our readership. I'm not retiring! I will remain available to fishing industry customers — but on a much smaller scale. In particular, I'd like to ask those local readers, here in Maine, who reside from mid-coast to famous "Downeast" area, to please continue to work with me to help make the tax laws easier to understand.

I urge you to continue to forward any questions, concerns, and comments to the national editor, as your feedback is the "heart" of this newsletter. Remember, it's your publication, with the news you can use!

*William E. Haas*

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## New FIN Coordinator at the Helm

Beginning with the May issue, Mark Primoli will serve as the new coordinator and contact point for the Fishing Information Newsletter. Mark is an off-site IRS National Office Analyst in the Market Segment Specialization Program and works out of St. Paul, MN. Mark is anxious to hear about your concerns, questions, and comments. Here's how to reach him:

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## The Collection Process

There are times when taxpayers have not set aside enough money to pay their taxes when the return is due to be filed. This is particularly true for fishermen, who are not required to file estimated taxes, provided the returns are filed and the taxes are paid in full by March 1st. Even the best of plans can still find one owing additional tax. The following explanation of the collection process should help those who run into this problem.

**If** you do not pay the full tax owed when you file, you will receive a bill from the IRS. This begins

the collection process.

The first bill will explain the reason for your balance due and ask for payment in full. It will include the tax due, plus the penalties and interest that are added to the unpaid balance from the date your tax return was due.

### **If You Don't Agree with the Bill**

**Write to the IRS.** If you believe the bill is not accurate, you may write to the IRS office from which the bill was sent. To help the IRS correct a potential problem, a copy of the bill and records, such as the front and back of canceled checks, money orders, or any other pertinent information should accompany your letter. **Do not send your original documents.**

**Call the IRS.** You may also call the IRS at 1-800- 829-1040 to discuss why you disagree with the bill. Have the bill and your records available when you call.

**Visit Your Local IRS Office.** If you don't know the location of the closest office, call the IRS assistance line at 1-800- 829-1040 to get the address, as well as hours of operation.

### **If You Do Agree with the Bill**

If the bill is correct, but you cannot pay in full, you should pay as much as you can and immediately call the IRS at 1-800-829-1040 to discuss payment of the remaining balance. The unpaid balance is subject to interest, compounded daily, and a penalty, which is added on the 15th of each month.

It is in your best interest to pay your liabilities in full as promptly as possible. You might consider a bank loan, or cash advance on your credit card. For a user fee, the IRS may be able to offer an individual payment plan based on monthly installments. Complete and return Form 9465, *Installment Agreement Request*, with your bill.

*Editors Note: Watch for the Offer in Compromise process in the next FIN issue. Installment Agreements will be discussed in a future issue of the FIN.*

### **Collection Actions**

If you don't take some action to pay your tax bill or contact the IRS to make arrangements to settle the account, the Agency may enforce collection. It is important to note that collection actions can be stopped at any stage if the amount owed is paid in full. And, in all dealings with IRS employees, you have the right to be treated fairly, professionally, promptly, and courteously.

Some of the actions the IRS may take to collect taxes include:

1. Filing a Notice of Federal Tax Lien

2. Serving a Notice of Levy
3. Offset of a Refund.

**Filing a Notice of Federal Tax Lien.** A lien attaches to all of your property, such as your house and car, and your rights to property, such as your accounts receivable. By filing a "Notice of Federal Tax Lien," the IRS provides public notice to your creditors that the Government has a claim against your property, including property that was acquired after the lien was filed. Once a lien is filed, it may effect your credit rating. The IRS will issue a "Release of Notice of Federal Tax Lien" when the taxes, penalties, interest, and recording fees are paid in full.

**Notice of Levy.** A levy is another method that the IRS may use to collect taxes that are not paid voluntarily. The IRS, by legal authority, takes and sells property to satisfy a tax debt. Levies can be made on property that you hold, such as your car, boat, or house. It can also be made on property that is yours but held by third parties, such as wages or funds on deposit at a bank.

**Refund Offset.** When you have an outstanding tax liability, any individual federal tax refund that due to you will be offset by the amount you owe and applied to the liability. When doubt exists as to whether you owe the liability or whether you have the ability to make full payment on the amount owed, the IRS may be able to settle your unpaid tax balance for less than the amount owed.

### **Need More Information?**

More information on the collection process is available in Publication 594, *Understanding the Collection Process*. For a discussion of taxpayer rights, refer to IRS Publication 1, *Your Rights as a Taxpayer*. These publications are available on the IRS Web site at [www.irs.gov](http://www.irs.gov) or by calling 1-800-829-3676. Both publications are available in Spanish.

### **An Apology**

Thanks to some of our readership, who let us know that we were causing problems with their e-mail service providers as a result of our long "address headers." With a growing e-mail distribution list, we were unaware that our addressing method was "taxing" your system!

Starting with this issue, we have broken the distribution list into multiples of 25 addresses to help alleviate the problem. We are currently working on a way of compressing the list to a one-line address header.

### **It's Baaack!**

As reported in the February 2000 issue of the FIN, the income averaging provision for a fisherman was one of many proposed tax changes included in H.R. 2488, *The Taxpayer Refund and Relief Act of 1999*. This legislation was eventually vetoed by the President on 9/23/99.

Well, it's back! The income averaging provision has been reintroduced and is contained in Senate Bill S.2203, in the 106<sup>th</sup> Congress. This proposed legislation, entitled *The Fair Tax Treatment for Fishermen Act of 2000*, contains two provisions:

- To allow income averaging for fishermen without negative Alternative Minimum Tax treatment, and
- For the creation of risk management accounts for fishermen.

The Bill was referred to the Senate Committee on Finance on March 7, 2000. Future issues of the FIN will track the progression of this proposed legislation.

## Frequently Asked Questions ~ FAQs

- Q** I was recently fined for having "undersized" lobsters in my possession. Is this a deductible business expense on my Federal income tax return?
- A** No! A fine or penalty paid to a government for the violation of any law is not a deductible business expense per Internal Revenue Code (IRC) 162(f).
- Q** I have been a fisherman for the past 9 years and operated my business as a sole proprietorship. I am thinking about forming a corporation and transferring the boat and gear to the corporation. What would the tax implications be if I did this?
- A** Normally transfers like this are performed under the provisions of IRC 351 and are tax-free. However, it depends on your basis in the assets transferred, as well as any liabilities assumed by the corporation when determining gain or loss.

If the liabilities transferred exceed the basis of the assets, a gain may be recognized to the extent of the excess.

*Caution: When determining basis you must reduce the basis by the amounts funded from your Capital Construction Fund account.*

## Taxpayer Advocate Service

## A Promise Not Kept

Jake called the IRS to ask whether certain expenses as a sternman could be deducted on his tax return. The assistor was unable to fully answer Jake's questions, but offered to have the issues researched. He was promised a callback within a few days. It has now been three weeks and Jake has still not received a reply. He needs this information to file his return — the April 18<sup>th</sup> deadline is looming!

If you contacted the IRS and have not received a response or resolution through normal channels by the date promised, or if you are experiencing a hardship because of IRS treatment or delay, contact the Taxpayer Advocate Service — the voice at the IRS who works independently to assist you. Call toll-free: (877) 777-4778.

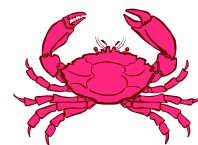
## Need Back Issues?

Back issues of the FIN are available. Please feel free to request them by Month or Volume Number through any of the FIN e-mail addresses shown below.

### Topics for Future Issues

**More on the Collection Process - Payment Plan Options**

**Tracking the Proposed Legislation - Fair Tax Treatment for Fishermen Act of 2000**



**Remember - Don't Be "Selfish"**

**Please Share Our e-mail Addresses**

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