

Classifieds inside

Analysis

Pilla tells how to handle IRS

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NEW YORK (AP) — More than 20 million Americans owe back taxes, and after April 15 there could be more.

Most are attempting to pay the principal owed, and penalties and interest. And interest on interest, which is compounded daily. The totals can mount into multiples of the original tax. Most owe more than \$10,000.

Daniel J. Pilla describes it in one word: "bondage." Those who falter can become indentured servants, accumulating bills for penalties and interest for past taxes that may make it impossible to pay current and future taxes.

Many tell Pilla, a tax litigation consultant who probably knows more about the Internal Revenue Service than the commissioner, that they could pay the principal if they could escape the penalties and interest.

Many can escape, but the IRS seldom lets them know that. The IRS takes in \$650 million a year in failure-to-pay penalties, Pilla says. He figures the interest on penalties probably matches that total. It's tough to give that up.

But there are ways to obtain relief — perfectly legal and available too, but you're not likely to hear about them from the IRS. "They'll tell you," Pilla says, "that you cannot get an extension to pay. You can."

Ask for tax form 1127, "Application For Extension of Time For Payment of Tax," Pilla says. The applications are not automatically granted, but if you qualify you have up to six months to pay without penalty.

The requirements are that you don't have the money to pay; that you used prudence in providing for the liability but that through no fault of yours you cannot pay; and that raising the money would cause significant hardship.

Form 1127 is not listed in the IRS forms catalog, so most of the agency's employees don't know it exists. But it does, and it allows you to take a breather without penalty, although the interest continues to run.

Who is Dan Pilla? He is the father of four young children living in a St. Paul suburb who has devoured so much of the IRS code (some of it he concedes was undigestible) that he advises tax attorneys and tax accountants.

He writes a newsletter, Pilla Talks Taxes, and has authored eight fact-filled, readable books on tax matters, the most popular of which, "How To Get Tax Amnesty," has sold more than 150,000 copies. He is a guest lecturer at tax conferences.

He is on a mission to inform and educate that began when his father was improperly challenged by the IRS and had nowhere to turn for help. Dan, a teen-ager, studied the IRS code and counter challenged.

The IRS, says Dan, is the biggest federal police force, bigger than the combined FBI; Bureau of Alcohol, Tobacco and Firearms; Drug Enforcement Administration and Occupational Safety and Health Administration.

All of whom in their accusations presume innocence. That presumption, he points out, does not exist with IRS which, as in his father's case, compels you to demonstrate innocence.

Form 1127 is part of Pilla's "First-Aid For Taxpayers," a kit that includes "How To Get Tax Amnesty," which is subtitled "A Guide to the Forgiveness of IRS Debt, Including Penalties & Interest."

Three other little-known forms are included: Form 911, opening the door of the Problems Resolution Office; 9465, which allows you to set up your own installment agreement; 8275, which prevents needless audits and penalties.

Also included in the kit is a "Special Penalty Report," an important recent addition, motivated in part by an expected 40 million penalty notices to be sent this year, half of which, Pilla states, will be incorrect.

The kit is available from Winning Publications, 450 Oak Grove Parkway, St. Paul, Minn. 55127, check or money order, for \$19.95, or by telephone 1-800-34-NO-