



# IRS Substitute For Return - What To Know

December 6, 2022

# Highlights



- **SFR - Substitute For Return - what does this mean?**
- **US tax system - “voluntary”**
- **No “master list”**
- **IRS uses a number of means to identify non-filers**
- **SFR may be used by IRS if no voluntary compliance**

# Identifying Non-Filers



- **Primary tool - information returns - W-2 / 1099**
- **Initially used to match up to filed returns**
- **No return on file - IRS will request return or explanation**
- **IRS know my income can they just collect?**
- **Process - request return or explanation - if no response compute a tax - SFR**
- **Allows for tax to be assessed - collections process can begin - wage garnishment, asset seizures, etc.**

# Related Issues



- **IRS does not need to “audit” prior to SFR**
- **No taxpayer obligation to prepare a tax return once an SFR has been prepared**
- **After SFR - full payment, Installment Agreement, Offer In Compromise, etc.**

# Just Accept SFR?



- Depends...
- If intending OIC - no reason - could prevent OIC
- If full pay - immediate or installments - would want to file a return if a lower tax results
- No fraud - even if you know tax is incorrect - it is the legal tax obligation

# Non 1099 Income



- If IRS believe income may be higher than on 1099s - i.e. self employed with cash receipts - summons
- Can compel appearance with books and records - can't force return preparation
- Don't ignore - eventually DOJ involved
- Can usually avoid appearing if a return is filed

# Conclusion / Up Next



- **File a return - even if full payment can't be made - the IRS will find you**
- **If SFR is prepared - determine next steps / options**
- **Up Next: SOL / CSED**