

# IRS NEWS & INQUIRER

## What's the Answer?

**Q.** Is it true that I will not have to pay any income tax on the dividends that I earn from my stock holdings during 2008?

**A.** Yes, it's true. If you are in the 10% or 20% tax bracket, you will pay ZERO tax on all qualified dividends you earn during 2008. That's a fantastic tax rate.

Even in this year you will pay only 5% tax on all your qualified dividends. And in 2009 your earnings will be taxed at the higher ordinary income rate if Congress does not change it before then.

This may be an excellent time to consider increasing your stock holdings by investing in good quality stocks that pay high dividends.

## Get FREE Tax Help

If you are considering a proper investment strategy, come in and meet with us. And discuss your concerns with me.

Let's discuss tax strategies that can save you tax dollars.

Call for **FREE** consultation.

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## What's Happening?

### IRS Assumed Loss when it failed to Timely Sell Stock

In 2000, Michael and Gina Zapara plead guilty to various tax-related offenses. The IRS subsequently seized their stock accounts to satisfy the couple's tax liability of \$500,000. The IRS estimated that the stock accounts had a value of \$1 million. The Zaparas requested that the IRS sell the stock before a decline in value. The IRS did not sell. The value of the seized stock declined significantly.

The IRS then sought additional money for the tax liability not covered by the eventual tax sale. The couple filed suit in the Tax Court arguing that the IRS did not timely sell the stock within 60 days as required by law. They contended that they were entitled to have a credit applied in the amount of the stock value on the date on which it should have been sold and would have resulted in a refund for the Zaparas.

The Tax Court held that the couple was entitled to the \$1 million credit. The IRS appealed stating that these were damages over which the Court had no jurisdiction. The Court affirmed the first ruling that by failing to adhere to its own rules the IRS assumed the loss.

### The IRS Increases Cost For Offers in Compromise

An offer in compromise is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax debt. The IRS can settle federal tax debts by accepting less than full payment in certain circumstances.

Effective since July 16, 2006, taxpayers requesting lump sum OICs must include a nonrefundable payment equal to 20% of the offer amount. A "lump-sum" OIC is any offer of payments made in five or fewer installments.

And taxpayers filing a periodic payment offer (payments made in six or more installments) must pay the first proposed installment with the application and pay additional installments while the IRS is evaluating the offer. Failure to pay the 20% or the first installment will cause the IRS to return the offer.

Taxpayers qualifying as low-income or filing an offer based on doubt as to liability qualify for a waiver of the new partial payment requirements. In addition, when submitting an offer in compromise an application fee of \$150 must be included.

03/07