



# Top Ten Tax Questions from Low Income Taxpayers



# 10. Low income people have tax problems?

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- Yes!
- Common problems – EITC exams, unreported income, tax on retirement distributions, self-employment issues, ID theft
- Many clients once had higher incomes or operated businesses
- LITCs are funded in part by the IRS

# 9. Am I going to jail?

- Help! I didn't file my taxes!
  - File them now! Free filing resources through IRS.gov and several non-profit options
  - Separate penalties for non-filing v. non-payment
- Help! I can't pay!
  - File them anyway!
  - IRS has several collection alternatives. IRS can stop collection or do reasonable payment plans
  - There are some income protections when the collector is the state or a local entity

# 8. Am I going to be homeless?

- Probably not.
- A lien protects the IRS amongst other creditors. They do not typically foreclose against the average taxpayer
- Seek the collection options discussed on the last slide
- Refer to legal aid when they want challenge or eliminate a lien

# 7. But I'm innocent, what do I do?

- Joint tax filings create joint and severable liability on taxes owed
- Innocent spouse relief breaks the joint liability
- Available when one spouse is primarily responsible for the tax liability
- Refer for assessment when joint liability seems unfair

# 6. Where's my refund?

- For recent, timely tax returns:  
<https://www.irs.gov/refunds>
- Call the IRS at 800-829-1040 when:
  - 21 days or more since you e-filed
  - 6 weeks or more since you mailed your return, or when
  - "Where's My Refund" tells you to contact the IRS
- Call legal aid if:
  - The IRS isn't helpful
  - Someone else got their refund
  - Extreme financial hardship
  - The IRS says there is a problem with the return

# 5. What do I do about a crooked tax preparer?

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- Common schemes
- Report to the IRS: <https://www.irs.gov/tax-professionals/make-a-complaint-about-a-tax-return-preparer>
- Call legal aid
- There are remedies to recover a stolen refund

# 4. What if someone stole my kid (for tax purposes)?

- Electronically filed returns will be rejected if an SSN has already been listed on a return
  - Taxpayer should paper file their return
  - They'll get a notice asking them to correct if the duplicate use of the SSN is an error
  - If no correction, an examination will occur unless the IRS can independently verify
- Call legal aid if paper filing the return or responding to first IRS notice doesn't resolve the issue



# 3. Can I settle for pennies on the dollar?

- No. Well, maybe
- Most vendors that use this term should be avoided
- The Offer in Compromise program is real and very useful, but it entirely depends on your ability to pay and individual circumstances



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## 2. How can I file a return with no records?

- Low income taxpayers move a lot and live in uncertain circumstances
- IRS maintains income records and can be easily requested for the last 9 years
  - <https://www.irs.gov/individuals/get-transcript>
- Taxpayers can try to recreate records with bank statements, obtain new copies from document issuers, and sometimes use good faith estimates

# 1. I got a letter from the IRS. What do I do?

- Open it! Read it! Respond to it!
- Get more information online to help understand your notice:  
<https://taxpayeradvocate.irs.gov/get-help/letter-from-the-irs>
- Refer to legal aid, especially if it is a threat to levy or a “Notice of Deficiency”

# \*. No exemptions? Does that mean my ex can't claim our kids?

- No.
- 2017 tax reform reduced the exemption for dependents to zero
- It did not change the definition of dependent followed by the child tax credit, so parents (and other qualifying family members) who have a right to claim the child still get a tax benefit
- Taxpayer who used to claim extended family members or non-family members may owe more due to the change



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