



Tax Defense Network

Affiliate Partner Program

Advanced DICE Training – Financial Analysis

The purpose of this training is to help each of you have an effective conversation with Clients about their current financial and tax situation. The goal is to have the client agree to the most likely resolution that will be accepted by the IRS, and to provide the client with all of their options for resolving the debt.

NOTE: If the client is contracted for a Non-Disclosure Installment Agreement, then you should NOT be going through this process, unless the client is being (is) recontracted for an Asset Protection Plan (PPIA), Affordable Settlement Plan (PPIA), or Customized Resolution Plan (PPIA or OIC).

To have an effective conversation with the client about their financial situation, we first need to gather the correct information needed to do an INITIAL financial analysis. Do not initially ask for every financial document under the sun. **Also, please, under no circumstances, ask the client to complete a 433A or 433F – 1) It is our job to complete these for the client, 2) Clients generally have no idea how to complete the form, and 3) it is easy to misinterpret and get the numbers wrong.** To do a basic financial analysis you need three (3) documents from the client:

1. **Financial Disclosure Form (FDF)** – needs to be either completed by the client, or completed in a phone interview with the client. The more complete the FDF is, the better the results of the analysis. If you complete the FDF in a phone interview, do not sign the 433 (whether it is an A or F) --- In this case have the client sign the 433 before submitting it for consideration.
2. **Proof of ALL Income** – this can take the form of paycheck stubs, year to date profit and loss statement, previous year Form 1040/Schedule C, bank statement showing Social Security direct deposit, etc. IT IS VERY IMPORTANT THAT WHEN YOU RECEIVE THE CLIENT'S INCOME INFORMATION THAT YOU CHECK FOR PROPER WITHHOLDING/ES PAYMENTS FOR THE CURRENT TAX YEAR. If the client is not properly withholding and/or not making ES Payments, then it is incredibly important that you talk to the client and convey to the client how critically important this is. Make the following points:
 - a. We cannot solve your tax problem unless you are properly withholding and/or making ES payments. IRS will not allow an AGREEMENT unless you are in full compliance.
 - b. If you owe taxes again next year when you file, and you do not pay the debt on the return at the time of filing, then you will default any agreement that we put you into.
 - c. For clients that want an OIC, tell them **loud and clear** that you cannot begin negotiations for an OIC until they are in full compliance.
3. **Bank Statements** – you need to review the client's bank statements for at least the prior three (3) months. You are looking for:
 - a. Income – does the income that they are reporting to you on their paycheck stubs, or the gross income on their P&L match with the deposits being made into their account. Are there any obvious additional sources of income that the client did not disclose. Example:



Client is a plumber, W2 employee, making \$1000/week, but his bank statements show income averaging \$2000/week. This is an indication that the client is working side jobs, and therefore has self-employment income. You would need to ask the client about the additional deposits.

- b. Expenses – review the bank statements for their expenses. For instance, if you see lots of ATM withdrawals, and the client lives in let's say – Las Vegas, NV – it is possible you could have a client with a gambling issue. Are they making their mortgage payments? Etc.

Now that we have the basic information we need it is time to enter the information into DICE. Go to the "Edit FAW Individual" screen in DICE.

Producing a 433F or 433A

Once all the information is loaded into DICE, then producing a 433F or a 433A is done by clicking on the Generate Form button, and selecting the form you need.

Note: If the debt is less than \$250,000, and there is NOT an RO involved in the case, then you will need a 433F. If the debt is greater than \$250,000, you will need to complete the 433A, because ACS cannot work with you to resolve the debt, and therefore the case must be assigned to an RO. Anytime that an RO is involved, the RO will require that you provide a 433A with all the required supporting documentation.

Financial Worksheet for Client Review

The next step is to transfer the client's financial information to the Financial Worksheet and email it to the client for review.

Things to Look out for:

1. If the client's MDI is a large negative number – meaning greater than \$500, review the financial closely, and then ask the client this question: "Given that you are \$xxx.xx/month negative paying your bills, how do you get them all paid?" Typically, the client will provide a reasonable answer like:

"My family is helping me to pay bills"

"I can't and do not pay all my bills right now"

"I have a roommate"

"My girlfriend lives with me"

2. If the debt is within Streamline range, and the client's MDI is high, explain the following to the client after you have confirmed with the client what their MDI is:



- a. Because you have disposable income of \$xxxx.xx, it would be in your best interest to not disclose financial information to the IRS. We can put in place an agreement that will full-pay the debt within 72 months, avoid the filing of tax liens, and your payment will be much lower at \$xxx.xx.
3. If the client has lots of “conditional expenses”, then you may want to seek a “6 Year Rule” payment from the IRS. For the most part, as long as the expenses are reasonable, the IRS does not care what taxpayers spend their money on, as long as, the client agrees to full pay the debt within 72 months. This applies to debts over \$50,000 only.