MDI Conversation Outline

Before the Conversation

- Complete and Review the FAW for Accuracy
    - Check last year's IRP for all parties and address any income inconsistencies
    - Review the previous year tax return or tax return transcript for contradictions
    - Make sure all of the following are listed accurately:
        - Income
        - Expenses
        - Assets
- Determine the Potential Payment Range
    - Determine the High Range
        - Remove all unsubstantiated conditional, over-standard, and unlikely to be allowed expenses
    - Determine the Low Range
        - Figure the potential payment with all conditional, over-standard, and other LIKELY to be allowed expenses
        - Leave unlikely to be allowed expenses off the Low Range calculation as they are unlikely to be allowed. If the LTP is able to get them allowed, then the further reduction in payment will be 'icing on the cake'. If you are unsure, ask your LTP.
- Compare FAW Results to the Stated MDI and Desired Payment from the DOS
    - Does the High Range comply with the client's desired payment?
    - What is the likelihood the client's payment will fall under the high range?
        - Consider for example Six Year Rule or One Year Rule/Tiered Agreement
- Build a Plan for Informing Client
    - Remember that you will have to prepare the client for the worst case scenario.
    - Consider client's personality from past conversations.
        - How will they react?
        - What's the client's disposition regarding the government in general?
        - What do you need to do to prepare?
            - Try to predict questions, issues, arguments. Don't assume, but be prepared.
            - What budget advice can you give? Would it be wise to do so?
- Review Apparent Discrepancies with Group LTP or Team Lead

Making the Call

- Introduce Yourself & Purpose
  - *Hello Mr. Smith, this is Jonathan with Tax Defense Network. I am calling about your case.*
    - Despite already having built a relationship with the client, make sure you begin the conversation in a very professional manner. This will help set the tone for the conversations to come.
  - Tell the client that you have been working on their financial and that you have a few items to review with them.
- Rough Walk Through
  - Walk them through the financial without too many details.
    - I have your income from Walmart and your wife's retirement and social security income listed.
    - I maximized the allowable amounts for your food, clothing, housekeeping supplies, and miscellaneous expenses.
    - I listed your taxes and health insurances.
    - We included your car payment and maximized your vehicle operating expenses which covers gas, insurance, licensing, and maintenance.
- Explain the Range
  - Let the client know that we will use the information to negotiate a payment and that the final payment amount will be determined through our negotiations with the IRS
    - Does the payment fit within their previously stated desired payment?
    - If the payment may go outside this range, use this opportunity to frame the negotiation process.
- Introduce the Payment
  - Start with the high figure.
    - *If the IRS doesn't agree to any of our arguments, the payment could be as high as $ _,___.*
  - Now introduce the low figure.
    - *If the IRS agrees with our income figures and allows every expense they are allowed to consider, you're looking at $_,___.*
  - Get back to the Range
    - *Most of the time we see cases resulting somewhere in between these two extremes*.
  - Don't get away from the fact that it may be the high range
    - *Every case is different. Although we are going to do everything we can to come back with the lowest payment possible, I need to make sure you are prepared for the worst case scenario. The IRS makes the ultimate decision, so we can't predict the exact result.*

- Measure the Client's response
    - Ask the client if they have any questions at this point
    - Give the client a quiet minute to consider. Don't jump at them if they don't respond immediately
    - If the client is okay with the payment range, then **stop here**.
        - Set expectations of what to expect moving forward (e.g. timeframes, etc) and whether we need more documents.
        - Follow the *After the Conversation* procedures below!
    - If the client believes the payment is too high, **<u>LISTEN</u>** to the client and try to determine the reason.
        - The client has less income or additional expenses
            - Give the client a short but reasonable timeframe to provide additional documentation (consider one week or less)
        - The client doesn't understand the process
            - Try to think about what would help them understand
        - The client understands the process and agrees to the financial, but doesn't think they can afford the payment
            - These clients may need a closer review of the financial information. Ask them if they want a summary of their financial to review.
            - You may need to review these client's bank statements for discretionary spending and propose ways for them to tighten their belt. MAKE SURE you remain positive. Never accuse a client of frivolous discretionary spending – instead introduce it as a means to reach a favorable agreement.
- Empower the Client
    - Remember that there are always options – even when there is only one logical option.
    - Generally, a client has at least three of the following choices:
        - Continue with pursuing the payment supported by the financial statement
        - Buy down to 50K and do an NDIA
        - Do nothing
    - Provide clients with these options if they continue to push back about the amount they may have to pay.
        - *I understand your concerns about making a payment that could potentially be as high as $_,___. The reality here is that you have a few options. You can make a lump sum payment that will reduce the debt below $50,000. You can do nothing and take your chances with the IRS issuing levies. OR you can allow us to move forward with negotiating the financials and try to get you as close to that low range payment as possible – which of course will protect you from the IRS taking money out of your back pocket at will.*

- Other Tips
  - NEVER Tell the Client that the IRS will not allow you do to or have something!
    - The IRS doesn't care what our clients have or what our clients do – they only care about providing clients with enough money to pay their reasonable bills.
    - Do not confuse an allowable expense with a restriction on freedom. The reality of it is that you can't have what you cannot afford, but it's not our job to tell the client that *the government will not allow them to have a motorcycle*. Instead, tell them that *the IRS doesn't generally allow the expense, and so although the licensed tax professional will make their best attempt to have the expense allowed, it may not be included as an expense on the final financial analysis.*
    - Remember that many of our clients dislike the government and the IRS, so relying too heavily on blaming the IRS will usually elicit the famed 'then why did I hire you people'.
  - Promise Less, Deliver More
    - You want to always ensure the expectations are properly set. It is better to set expectations for a slightly higher payment than anticipated. Use the range accordingly and make sure you're not including potentially unallowable expenses when you are determining the High Range payment.

After the Conversation

- Email Client
  - Quickly Recap Conversation
  - Provide Information to Client as Necessary
  - Attach Completed Form 433F or 433A when Appropriate.
    - Note that we should have confirmation from EVERY client that they agree that the income and expenses listed are true and accurate. If a 433A, B, or F is not required, send the client the breakdown and ask that they reply affirmatively that the information is correct. If you feel a client is being untruthful, consider sending the 433 form for signature even if it's not required by the IRS.
- Document the Notes Thoroughly
  - What amounts were discussed?
  - How did the client react?
  - What options were presented?
  - What timeframes were discussed?
  - What are your responsibilities? What are the Clients? What about potential IRS action?