



Frost Law Urges Additional Changes to IRS Voluntary Disclosure Practice to Expand Access, Help More People

By Terry Lemons

IRS Proposal Step In The Right Direction, But Leaves Those Unable to Pay Vulnerable

WASHINGTON – Today, Frost Law urged the Internal Revenue Service to expand access for more people to use the Voluntary Disclosure Practice by allowing payment plans and creating more flexibility for people struggling financially.

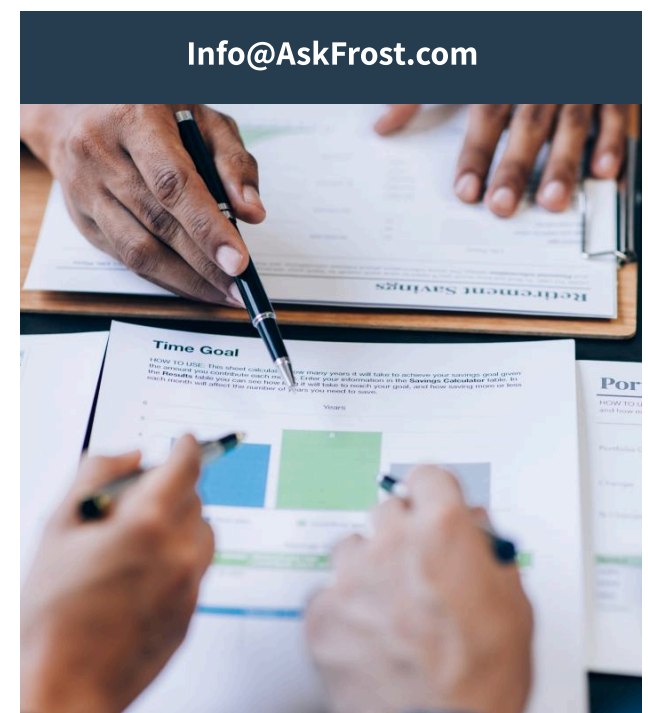
“The IRS has taken critical steps to improve this vital compliance tool, but additional changes could help people who can’t meet the rigid payment guidelines,” said Glen Frost, the firm’s Founder and Managing Partner. “Allowing more flexibility through longer-term payment plans and partial payments would pull more people back into tax compliance. Making these taxpayer-friendly changes would help people get right with the tax law as well as help with the nation’s revenue collection.”

The program – known as Criminal VDP – offers people with potential criminal tax exposure a chance to self-correct tax problems with the IRS. By voluntarily coming forward, individuals and entities can pay back taxes, penalties and interest and – importantly – avoid the risk of criminal prosecution.

In December, the IRS proposed updates to the program following work by IRS Criminal Investigation and the National Taxpayer Advocate. Frost Law, which has worked with numerous taxpayers on VDP cases, praised many of the proposed revisions in comments submitted today to IRS in advance of the March 22 deadline. However, the firm noted several changes would strengthen the VDP proposal for taxpayers.

Frost Law attorneys Rebecca Sheppard and Peter Haukebo also discuss possible VDP changes and options for taxpayers in a [special YouTube video](#).

VDP Payment Options Too Rigid





Frost Law, headquartered in metropolitan Washington, D.C., believes the biggest shortcoming centers on payment issues. Under the revisions, a taxpayer can't participate if they don't pay all tax, penalties, and interest within a three-month window after being accepted into VDP.

"Taxpayers who want to come forward in good faith but no longer have the financial ability to fully pay would be simply left in the cold," Frost said. "That requirement effectively excludes taxpayers who are no longer able to full pay, even though they otherwise would be appropriate candidates for voluntary disclosure."

Frost also noted that the absence of payment flexibility creates a dual-track system for the "haves" and "have nots." Those who can pay in full get protection from criminal prosecution. Those who can't pay remain vulnerable to criminal charges.

"This is an unfair two-track system that harms those without resources," Frost said. "People who have experienced legitimate financial setbacks would be diverted into other IRS resolution channels with no protection from criminal exposure. This runs counter to taxpayer rights and hurts the VDP goal of bringing people back into tax compliance."

The IRS could make changes – modeled after other agency programs – to allow people to enter VDP without the financial resources to fully pay their tax debt. VDP could be helped by offering installment payment plans beyond the proposed three-month cut-off for full payment. And they could provide offers in compromise when a taxpayer has experienced a material change in financial circumstances that prevents them paying in full. The Taxpayer Advocate

has noted that putting in place closing agreements could ensure taxpayers are bound by the terms.

"These changes would meet the spirit of voluntary disclosure by getting people back into the tax system while still reasonably settling their tax debt," Frost said. "It would put the voluntary disclosure practice back on track, opening it up to more taxpayers and freeing up IRS resources for other work."

Frost also praised the National Taxpayer Advocate's work on VDP and [recent comments](#) on the December proposal, which also called for relaxation of the three-month payment requirement.

Frost Law also backed the Advocate's recommendation to allow VDP participants to have new, limited access to Appeals. If taxpayers disagree with the IRS determination of tax, penalties, and interest, the Advocate has noted participants do not have an avenue to dispute the amount if they want to stay in the VDP program. Frost Law agreed that allowing VDP participants the right to dispute erroneous adjustments by the IRS through the Appeals process would strengthen overall confidence in the overall disclosure program.

About Frost Law: The firm is headquartered in the Washington, D.C., metro area. With multiple offices, the firm works with clients across the nation and around the world. Currently, more than 80 Frost employees include skilled attorneys focusing on tax, business, litigation and estates as well as Certified Public Accountants, Certified Financial Planners™, Enrolled Agents and other tax professionals. Frost's team can help people and businesses on issues including tax planning, tax strategy, tax minimization as well



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