

Nick Ninja's Tax Horror Stories You Can Learn From



Staying on top of tax notices is crucial to your company's financial health. In fact, it can often mean the difference between what the IRS considers tax negligence and tax fraud. If the IRS suspects negligence, you're looking at a 20% penalty on your tax bill. You could receive a 75% civil penalty if the IRS suspects fraud. In either case, you're looking at LARGE late fees and interest for each additional day you miss a tax notice and don't get the problem sorted out.

This is where the most frightening tax horror stories come into play: a mistake is made, no one catches it, and then the amount you owe racks up even higher because you didn't keep up with your tax notices.

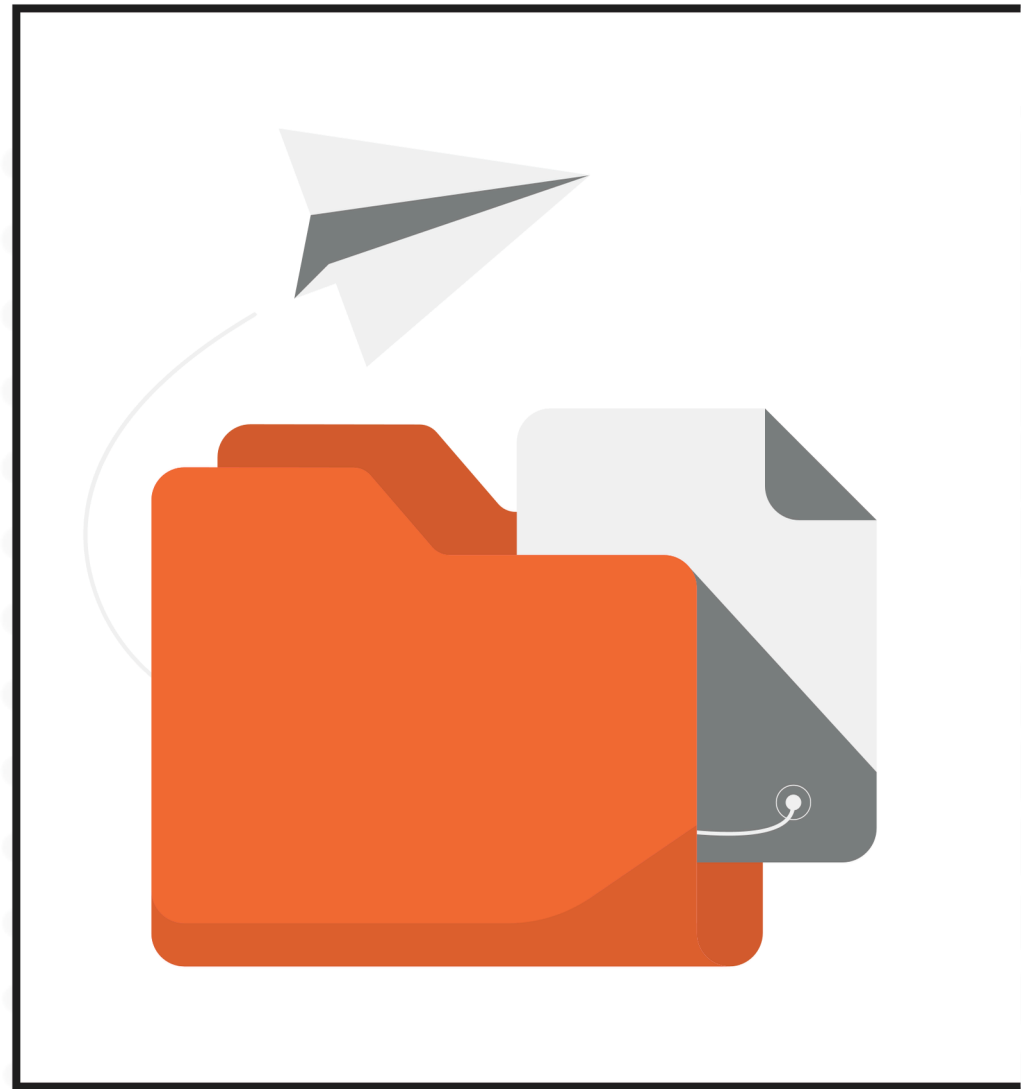
Here are some of the worst cases NOTICE **NINJA** has seen over the years and how you can learn from them so you don't make the same mistakes.

W2 File Upload Error

One of our clients uploaded their W2 file with the Social Security Administration (SSA) and got a confirmation and verification of the upload. They thought they were in the clear. However, ten months later, they got a follow-up notice from the SSA with a 1 million dollar penalty assessed as none of their W2s were in the file they submitted.

The first notice came months earlier, at a time of the year when the client was busiest. Trying to keep up with production, someone misplaced the notice, and it got lost. With the notice out of sight, it was also out of mind.

After 18 months and hundreds of hours on the phone, they were able to abate the penalty assessment. The problem with this tax horror story is it can happen to anyone without an automated solution for tracking and monitoring tax notices. It could have also been much worse had the follow-up notice been misplaced or lost.



Misplaced Notices

One of our clients lost its head of compliance. When they cleaned his desk, they found over 1,000 backdated tax notices. It took them a considerable amount of time to research and resolve each notice, and they had to make up for all the extra costs that came with penalties and interest.

With our Scan to Capture technology, all notices are scanned into the system and visible to all team members. This [auto-entry scanning feature](#) allows most tax notices to be entered through automation instead of manual entry.

In turn, the process is sped up, and the likelihood of data entry errors is reduced. According to [recent studies](#), workers identified the top two biggest opportunities for data entry automation: reduced wasted time (69%) and reduced human error and mistakes (66%).



Burden of Proof, Not Documenting Data

Another client had an issue with an agency that resulted in them paying penalties and interest in the amount of \$200,000. This amount would not have been required had they properly documented the processes they followed.

Although they made their payment on time, depending on their tax deposit frequency, the agency sent them an assessment for filing late. The percentage of late payment fees added up to more than \$200,000! Immediately, they notified the agency that they had proof of making the payment on time. Our client talked to the agent on the phone and got it all taken care of. Relieved, they got backed to business.

Unfortunately, they got a second notice 11 months later. Because they didn't have any notes about the original resolution or information on the person they talked to resolve the problem, they had to pay the initial penalty and interest amount they had settled less than a year prior.

As a result of poor data documentation, they did not meet the burden of proof and, therefore, had to pay the amount due even though they filed on time.

A [Digital Notice Compliance Platform](#), on the other hand, could've kept a record of: • The evidence of payment they had to refute the first assessment. • A detailed report of the initial call, including research notes about who they talked, what processes were followed and the outcome.



Notice Distribution

It always happens — one department gets all the remaining notices for other departments. In fact, this happened to one of our clients while their tax person was out on sick leave. Corporate finance was waiting on a notice to come in to inform their decision on the best rates to apply to a payment.

The notice got delayed in another department for several days, and by that time, the deposit was already made with the wrong rate. This mistake cost the client a significant amount in penalties and interest to resolve the incorrect rate applied to the payment. Had everyone been able to access the notice digitally, this would have been prevented, and the wrong rate would have never been applied to the payment.

With our [Auto Workflow Assignment feature](#), notices get scanned in, identified, and routed to the correct department, person, or 3rd party vendor. This ensures that all notices get assigned correctly. Customizable workflows also lead to exception handling and batch processing.



Absconded with Millions

A couple of years back, an Upstate New York Payroll Provider absconded with over 50 million in client tax money. That same payroll company kicked NOTICENINJA off the system because they were getting too many notifications about notices. Two years later, they went under for tax fraud. Essentially, money was coming from the clients' accounts but wasn't going to the IRS. All the tax notices they were getting were a precursor to not paying and filing on time.

Another payroll provider also absconded with almost \$100 million in client taxes. This impacted a lot of people in the payroll industry because the bank that handled their ACH funds was used by lots of other payroll providers that trickled downward.



Employee Couldn't Travel Due to Unpaid Taxes

No one wants to be that employee who has to tell their boss that they cannot travel to Cleveland because the state of Ohio has issued a warrant for their arrest due to an unpaid tax notice of \$2,000. And yet, this happens often! The IRS sends **roughly 9 million letters** to people they believe have underpaid their taxes. When that notice goes unseen and unanswered, Penalties and interest continue to add up.

Not only do tax horror stories like this one cost employees much more money in the long run, but it can also cost them their freedom. This is why an employee may find themselves in a situation where they must avoid certain states to avoid a warrant for their arrest on a tax bill they cannot afford.

The worst part about it? This can happen to anyone if you misplace or forget about a tax notice (or several over the years). Even worse, it was once affordable and could have easily been resolved with a quick payment at the time. Years later, it's more than quadrupled in the amount owed, and jail time is requested.



The Founder Story

The founders were partners in a payroll company before starting NoticeNinja. They saw a trend building in agency notice compliance and enforcement where people were taking more time to manage each notice because of changes at each agency. In fact, their weekly and monthly notice reporting was becoming a nightmare as it was way too time-consuming, and there were errors in some spreadsheet formulas that were hard to resolve.

Understandably, they were frustrated with all the time they were spending on notices, and they knew there had to be a better way than using manual processes. After all, this was a tax horror story to which most businesses back then, and even many still today, can relate.

In 2008, they started ANTS to help payroll service providers and clients manage all types of tax and compliance notifications. Since then, millions of dollars in tax and compliance mistakes have been saved, and dozens of companies have been able to stay compliant and keep up with their tax notices.



Moral of the Story: It All Could've Been Prevented

The worst part about these tax horror stories is that they can happen to anyone despite the availability of advanced technology (i.e., automation) to prevent it. The cost of manually keeping up with tax notices and other tax obligations is high for any business to endure. And now that solutions like [NoticeNinja's Digital Notice Compliance Platform](#) are available, there's no reason to continue risking your business's financial health by becoming another one of these tax horror stories.

Instead, you can learn from your mistakes. Warren Buffett said it best, "It's good to learn from your mistakes. It's better to learn from other people's mistakes." Automated tax compliance and notice management can help you do just that.

