KRAMER, JENSEN & BAGBY LLC
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Newsletter June 2026

Dear clients:

As some of you may know, June 1st marks the retirement of our long-time Office Administrative Assistant, Teri Koren. Since 2017, Teri has been far more than the friendly face greeting clients at our front desk or the calm voice answering our phones. She has been an integral part of our office and a trusted, caring presence for our clients and staff alike. Whether helping clients navigate questions, keeping our office running smoothly, or simply offering a warm smile and kind word, Teri approached every interaction with patience, professionalism, and genuine care for others. Her dedication to outstanding client service has left a lasting impression on all of us, and she will be greatly missed. We are incredibly grateful for her years of service and friendship, and we wish her nothing but happiness and fulfillment in her well-earned retirement.

At the same time, we are excited to welcome Barb Dreyer to Kramer, Jensen & Bagby, LLC beginning June 8th. Barb brings extensive experience from professional services firms in the public accounting, engineering, and legal professions, and we are thrilled to have her join our team. Barb will be managing our front office operations and serving as our Office Administrative Assistant. Clients should update their records to note that Barb will be greeting clients, answering phones, coordinating scheduling, providing copies of returns, and serving as the primary contact for administrative questions. Barb can be reached at **bdreyer@kramerjensen.com**.

A Surprise Refund Opportunity? Millions of Taxpayers May Be Owed COVID-Era Penalty Refunds

The pandemic disrupted... well, everything.

Business operations. Filing deadlines. IRS processing. Even the way taxpayers interacted with the government changed almost overnight.

Now, years later, a federal court case is reopening a question many assumed was already settled:

Did the IRS improperly assess certain penalties and interest during the COVID era?

And if so...

Could taxpayers actually get that money back?

For millions of individuals and businesses, the answer may be yes.

Why This Matters Right Now

A recent federal court decision interpreted disaster relief rules in a way that could dramatically expand pandemic-related deadline relief for taxpayers.

The ruling centers around a provision in the tax code that automatically postpones certain tax deadlines during federally declared disasters.

Since the federal COVID disaster declaration remained in effect from January 2020 through May 2023, the court concluded that many filing and payment deadlines during that window may have been postponed much longer than previously understood.

The practical impact?

Some penalties for late filing, late payment, and even related interest charges assessed during the pandemic years may not have been legally owed in the first place.

That means taxpayers who paid those amounts could potentially qualify for refunds.

The Clock Is Already Ticking

Here's the part taxpayers shouldn't ignore:

For many people, the deadline to preserve refund rights may be July 10, 2026.

That deadline is tied to the statute of limitations for filing refund claims with the IRS.

And this is where things get tricky.

The legal issue is not fully resolved yet. The federal government is expected to challenge the court's decision through the appeals process.

But waiting for the final outcome could create a problem.

If taxpayers miss the filing deadline while the case works its way through the courts, they could permanently lose the ability to claim a refund later — even if the courts ultimately rule in favor of taxpayers.

That's why many advisors are encouraging affected taxpayers to consider filing what's called a "protective refund claim."

What Is a Protective Refund Claim?

Think of it like reserving your place in line.

A protective refund claim doesn't guarantee a refund.

Instead, it preserves your right to request one later if the courts ultimately uphold the broader interpretation of the COVID-era deadline relief rules.

Without filing a claim before the statute expires, taxpayers may lose the ability to recover certain penalties and interest altogether.

Who Could Be Affected?

Potentially affected taxpayers may include:

- Individuals who filed tax returns late during the pandemic years
- Businesses assessed late payment penalties
- Taxpayers who entered installment agreements after penalties accrued
- Individuals or companies who paid significant IRS interest charges between 2020 and 2023

- Taxpayers whose filing or payment deadlines fell during the federal COVID disaster period

This could apply across multiple tax years and multiple return types.

In some situations, the potential refunds may be relatively small.

In others — particularly for businesses or higher-income taxpayers with larger balances due — the amounts could be substantial.

There's One Big Frustration

Ironically, the process itself may feel a little... outdated.

Current guidance indicates these refund claims generally must be submitted on paper rather than electronically.

That means taxpayers may need to prepare and mail formal documentation to the IRS to preserve their rights.

Not exactly ideal in 2026.

It's one reason taxpayer advocates are pushing for broader systemic relief rather than requiring millions of individual paper filings.

Why This Could Become a Bigger Story

This issue highlights something many taxpayers learned during the pandemic:

Tax law gets complicated fast when emergency relief measures collide with real-world administration.

The IRS issued wave after wave of temporary guidance during COVID. Filing dates shifted. Payment deadlines changed. Enforcement priorities evolved.

Now the courts are stepping in to clarify whether some of those timelines were applied correctly.

And depending on how the appeals process unfolds, this could become one of the more significant post-pandemic taxpayer relief developments we've seen.

What Taxpayers Should Do Now

If you or your business paid IRS penalties or interest connected to filing or payment delays during the COVID years, this is worth reviewing sooner rather than later.

Waiting until the legal outcome is finalized may not be the safest strategy if filing deadlines expire first.

Every taxpayer situation is different, and eligibility may depend on timing, tax years involved, and the specific penalties assessed.

Questions About Whether You May Qualify?

If you believe you may have been affected by COVID-era IRS penalties or interest charges, contact our office.

We can help review your situation, determine whether filing a protective refund claim makes sense, and help you understand the potential opportunities — before important deadlines pass.

Struggling to Pay Your Taxes? Here Are Solutions and Guidance

Article Highlights

- Understanding the Consequences
- Assess Your Situation
- Short-Term Payment Plan
- Family Loans
- Home Equity Loans and HELOCs
- Tap a Retirement Account
- IRS Installment Agreement
- Offer in Compromise
- IRS Currently Not Collectible (CNC) Status
- Preventing Future Tax Issues
- Conclusion

Tax season can be a stressful time, especially when you find yourself unable to pay the taxes you owe. Whether due to unexpected financial hardships, medical bills, or other unforeseen circumstances, it's essential to know that you're not alone and that there are ways to manage your tax liabilities. This article explores various solutions and guidance for taxpayers who find themselves in this situation.

Understanding the Consequences - Before diving into the solutions, it's crucial to understand the consequences of not paying your taxes. The IRS imposes penalties and interest on unpaid taxes, which can accumulate over time, leading to a more substantial financial burden. Ignoring tax bills can also result in more severe actions like liens, levies, or legal proceedings. Therefore, addressing your tax situation promptly and proactively is fundamental.

Assess Your Situation - Begin by assessing your financial situation. Calculate the total amount you owe, including any penalties and interest. Review your financial resources to determine how much you can realistically pay. This assessment will help you explore the best options suitable for your circumstances.

Short-Term Payment Plan – If you can fully pay the tax owed within 180 days and owe less than $100,000 including tax, penalties, and interest, you can apply for a short-term payment plan online at the IRS web site. This process is typically straightforward and does not require extensive documentation. Unlike longer-term installment agreements, the short-term payment plan doesn’t require a setup fee, making it an accessible choice for those who can quickly resolve their balance due.

You won’t be charged a set-up fee but will still have to pay penalties and interest until the balance owed is fully paid. However, set-up fees will be charged if you apply for a payment plan by phone, mail, or in person instead of online. Payments can be made via direct debit, check, money order, or credit card. However, using a credit card may incur additional fees from the card issuer. Entering into a short-term payment plan does not directly affect your credit score. While there’s no setup fee, keep in mind that interest and penalties continue to accrue until the total tax debt is paid off. However, these costs may be lower than potential fees from other financing options.

Family Loans - A family loan can be a beneficial short-term solution for those unable to pay their taxes, offering flexibility and potential financial savings. However, it's essential to weigh these benefits against the risks of personal and familial conflict. Establishing clear, written terms can help mitigate misunderstandings and preserve relationships, while ensuring that both parties understand their obligations. Always consider your family dynamics and financial situation carefully before proceeding.

- **Pros of Family Loans:** Flexible terms, lower or no interest, no credit check, quicker access to funds and emotional support.

- **Cons of Family Loans:** Strained relationships, lack of formality, impact on independence, potential for unequal family treatment, and legal considerations.

Family loans lack legal protections and recourse compared to formal loans if disagreements arise. It’s important to document the loan terms with a written agreement to clarify intentions and protect both parties.

Home Equity Loans and HELOCs – If you are a homeowner, you might consider using the equity in your home—that is, the difference between your home’s value and your mortgage balance—as collateral. As the loans are secured against the equity value of your home, home equity loans offer extremely competitive interest rates—usually close to those of first mortgages. Compared with unsecured borrowing sources, such as credit cards, you’ll be paying less in financing fees for the same loan amount. Unfortunately, obtaining these loans takes time, so you should get the application process started as soon as possible.

Also be aware that the interest paid on equity loans (HELOCs) is not tax deductible.

Tap a Retirement Account – This is possibly the worst option for obtaining funds to pay your taxes because you are jeopardizing your retirement lifestyle and the distributions are generally taxable at your highest tax bracket, which adds more taxes to your existing problem. In addition, if you are under age 59½, the withdrawal is also subject to a 10% early withdrawal penalty that compounds the problem even further.

IRS Installment Agreement – If the amount you owe the IRS, including tax, penalties and interest, is $50,000 or less, you may qualify for a **streamlined installment agreement** where you can make monthly payments for up to six years. If you owe $10,000 or less and meet other IRS criteria, the IRS must accept your request for a monthly installment plan. To be eligible you must have all required tax returns filed before the IRS will approve an installment agreement.

- **Penalties and Interest:** You will still be subject to the late payment penalty which is 0.25% per month (reduced from the standard 0.05% amount). Interest will also be charged at the current rate, which recently has been around 7% annually.

- **Fees:** As of April 2026, IRS installment agreement user fees range from $0 to $178, depending on the application method and your income level. The cheapest option is applying online via direct debit ($22) or, for low-income taxpayers, a potentially waived or reimbursed fee ($0–$43). Short-term plans (180 days or less) have no setup fee. For an online application (non-direct debit) the fee is $69 and via phone, mail or in person $178.

- **Requirements:** When you request an installment agreement with the IRS, you must agree to several terms:

    - Timely Payments: You ensure that installment payments are made in full and on time.

    - Filing Future Tax Returns: All future tax returns must be filed on time.

    - Adequate Withholding or Estimated Payments: You must have enough withholding or estimated tax payments so that no tax is due with timely filed future returns.

- Refunds Applied to Debt: Any refund due you in a future year will be applied against the amount owed.

- Statute of Limitations: The 10-year statute of limitations for collections continues to run while an installment agreement is in effect and not in dispute.

- Documentation: If you seek an installment agreement exceeding $50,000, you will have to validate your financial condition and the need for an installment agreement by providing the IRS with a Collection Information Statement (financial statements). You may also pay down your balance due to $50,000 or less to take advantage of the streamlined option.

Offer in Compromise (OIC) - An offer in compromise is a program offered by the IRS that allows taxpayers to settle their tax debt for less than the full amount owed. This option is typically considered when taxpayers are unable to pay their full tax liability or if doing so would create a financial hardship. An offer in compromise might apply in situations where:

- You cannot pay the full tax debt without causing financial hardship.

- There is doubt as to the collectability of the debt, meaning the IRS believes it is unlikely that you can pay the full amount.

- There is doubt as to the liability, meaning there is a legitimate dispute over the amount owed.

To qualify for an offer in compromise, you must meet certain criteria:

- All required tax returns must be filed.

- All required estimated tax payments for the current year must be made.

- You must not be in an open bankruptcy proceeding.

- If you are an employer, you must have made tax deposits for the current and past two quarters before applying.

For an OIC to be considered you must apply to the IRS, along with a detailed financial statement to provide a comprehensive view of your financial situation. As of April 2026, the nonrefundable application fee of $205 is generally required, unless you qualify for a low-income exception.

If the offer is accepted, you can pay the agreed amount either as a lump sum or through periodic payments. If the offer is rejected, you have 30 days to appeal the decision.

Offers in Compromise are rather complicated, and you are encouraged to contact this office to navigate the complexities of the offer in compromise process.

IRS Currently Not Collectible (CNC) Status (also called **Status 53**) - is a temporary designation for taxpayers who are experiencing extreme financial hardship and cannot afford to pay their tax debt while meeting basic living expenses. To qualify, you must demonstrate that paying the IRS would leave you unable to cover "allowable" monthly living expenses. The IRS uses standardized "allowable expense" limits for things like housing and transportation, rather than your actual costs if they are deemed too high.

- **Asset Limitations:** You must generally have no significant assets that could be liquidated or borrowed against to pay the debt.

- **Tax Compliance:** You must have filed all required tax returns for prior years.

- **Types of Debt:** CNC status is typically for individual income taxes but can also apply to some small business and partnership liabilities.

CNC status is not granted automatically; it must be applied for, and you must prove your hardship. To apply, contact the number on the latest IRS bill or the general IRS helpline at **800-829-1040.**

The benefit of CNC status is that the IRS halts aggressive actions like wage garnishments, bank levies, and property seizures. Unlike an installment agreement, you are not required to make any monthly payments while in CNC status. The 10-year period the IRS has to collect your debt continues to run while you are in CNC. If the debt is not collected before this period expires, it is typically written off permanently.

However, there are important considerations. CNC status does not forgive or erase your debt. **Interest and penalties** continue to accrue, meaning your total balance will likely increase over time;

- The IRS will still take your future federal tax refunds and apply them to your outstanding balance;

- The IRS may still file a Notice of Federal Tax Lien to protect the government's interest in your property, especially if you owe more than $10,000; and

- The IRS will re-evaluate your financial situation annually; if your income increases, the status may be revoked.

Preventing Future Tax Issues - While managing current tax debt is essential, addressing future tax obligations will help you avoid similar situations. Here are some proactive steps to consider:

1. **Proper Withholding:** Ensure that you have adequate withholding from your paycheck to cover tax liabilities. Use the Withholding Calculator on the IRS website to adjust your W-4 form accordingly.
2. **Estimated Tax Payments:** If you receive income not subject to withholding (e.g., self-employment income), make quarterly estimated tax payments to avoid underpayment penalties.
3. **Budgeting and Financial Planning:** Regularly review your financial situation to plan for inevitable expenses, including taxes. Budgeting can help you set aside funds specifically for tax liabilities.

Conclusion - Finding yourself unable to pay your taxes can be daunting, but there are multiple solutions available to help you manage your tax liability effectively. By understanding your options outlined in this article, you can address your tax situation proactively and responsibly. While tackling these issues is important, also focus on preventing future tax challenges through proper planning and financial management. If you're feeling overwhelmed, never hesitate to seek assistance from this office. Acting today not only eases your current burden but also sets you up for a healthier financial future.

Where Is My Refund? What To Do When Your Refund Is Way Overdue (And Why a New IRS Notice Might Be The Reason)

Article Highlights:

- Probable Reason

- Quick Checklist — What to Do Right Away

- Why Your Refund May Be Delayed

- What CP53E is and How it Causes a Delay
- Common Errors and Special Situations
- What You Should Do Now — Step-by-Step
- If a CP53E Was Sent in Error
- When to Get More Help

If your federal tax refund is seriously overdue, it's normal to feel worried — especially if you were counting on that money for bills or other expenses. Before panic sets in, here's a clear, practical guide explaining what may be happening, why a new IRS administrative change could be the culprit, and exactly what steps you should take now.

Quick Checklist — What to Do Right Away:

- Check the IRS "Where's My Refund?" tool at www.irs.gov and your IRS Online Account for status updates.
- Look through your mail carefully for an IRS notice called CP53E. If you find it, read it right away.
- Confirm the bank routing and account numbers you submitted with your return (if any). One incorrect digit can stop a direct deposit.
- If you don't have an IRS Online Account, consider creating one so you can see notices and respond if needed.

Why Your Refund May Be Delayed: The IRS has begun an administrative shift to make electronic (direct-deposit) payments the default method for federal refunds. As part of that change the agency will pause some refunds when a return does not include usable bank account details, or the bank information is rejected. In those situations, the IRS mails a new notice, CP53E, and gives taxpayers a short window to supply or correct bank information online. That additional step can create a long, unexpected delay.

What CP53E is and How it Causes a Delay:

- CP53E is a mailed notice telling you the IRS could not immediately deposit your refund because the return lacked usable bank details, or the bank information was rejected.
- You have 30 days from the notice date to add or update bank account information using your IRS Online Account. The IRS permits only one such online update.
- If you don't respond within 30 days (or if the bank details you enter are incorrect and the deposit is rejected), the IRS will ultimately issue a paper check — **but not immediately**. The IRS's internal processing to move from the CP53E path to issuing a paper check can add weeks. The IRS has indicated this additional paper-check processing can take roughly six more weeks after the 30-day window closes.
- Those stages — the original processing, the 30-day CP53E response window, and then up to roughly six weeks for a paper check — together can push a refund delay toward three months or more.

Common Errors and Special Situations:

- The IRS has sometimes mailed CP53E in error. For example, to taxpayers who elected to apply an overpayment to 2026's estimated tax. If you find a CP53E and you did not expect a refund, review the return details and your payment election before acting.

- If you entered bank information that had a single wrong digit in the routing or account number, the deposit will fail, and the case moves to the paper-check pathway.

What You Should Do Now — Step-by-Step:

1. Consult the IRS status tools first:

    - Use "Where's My Refund?" and your IRS Online Account for the clearest status. If a CP53E was mailed, it may appear in your online notices as well.

2. If you receive a CP53E, respond immediately (and accurately).

    - Only the taxpayer can update bank information through the IRS Online Account login; IRS phone or in-person staff will not accept routing/account numbers.

    - The system allows only one online update, so double-check routing and account numbers before submitting a change.

    - If you need help, contact this office for assistance. But remember, a taxpayer must enter the banking information themself.

3. If you don't find a CP53E or it's already beyond the 30-day response time, prepare o wait for a paper check, and consider a trace if it never arrives.

    - If the IRS indicates a paper check is being issued but you don't receive it after several weeks, this office can assist you with next steps, including filing a Form 3911 (Taxpayer Statement Regarding Refund) to start a refund trace when a refund check is lost, stolen, or not received.

4. Protect yourself and your information

    - Do not ever give your bank routing and account numbers to IRS phone agents; the IRS requires the taxpayer to enter that info in their secure online account. Beware of phishing scams that mimic IRS notices.

5. Ask about interest — the IRS may owe you some

    - If the refund is delayed beyond statutory timeframes, the IRS may owe interest on the delayed refund. Ask your preparer to check whether your situation meets the requirements for interest under tax rules. By the way, if the IRS does pay you interest, look for a Form 1099-INT from the service next January; the interest will be taxable on the return for the year you receive the interest.

If a CP53E Was Sent in Error:

- Don't ignore it until you confirm the facts. Some taxpayers who had elected to apply overpayments to 2026 have received a CP53E incorrectly. If the notice truly was sent in error, you may not need to take any action.

When to Get More Help:

- If you've followed all the steps (checked online tools, responded accurately to the CP53E if applicable, and waited the required time for a paper check) and still have not received your refund, contact this office or use IRS contact channels to start a trace. This office can help you complete Form 3911 if needed.

Final thoughts: A late refund is stressful, but new administrative procedures at the IRS — especially the move to default to electronic payments and the CP53E notice with its 30-day correction window — help explain why some refunds are taking much longer than expected. If in doubt, contact this office for help reviewing what was submitted and for assistance in starting a refund trace if needed.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

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