

## PROFESSIONAL GUIDE TO KWONG V. UNITED STATES

### AND IRS PENALTY PROCEDURE REVIEWS

For CPAs, Enrolled Agents, and Tax Professionals

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IRS Trouble Solvers

#### **Introduction**

Recent court decisions involving IRS penalty procedures, including *Kwong v. United States*, are prompting many tax professionals to revisit how certain IRS penalties were assessed during prior tax years.

These developments have generated significant professional discussion regarding:

- IRS procedural requirements
- supervisory approval standards
- assessment protocols
- and whether certain prior penalty matters may warrant additional review.

This guide is intended to provide tax professionals with:

- a high-level overview of the issues,
- insight into the collaborative review process,
- and information regarding how IRS Trouble Solvers works alongside referral partners in evaluating these matters responsibly and professionally.

#### **Understanding the *Kwong v. United States* Discussion**

The *Kwong v. United States* case has brought renewed attention to procedural requirements the IRS must follow when assessing certain penalties.

In particular, the case has increased professional focus surrounding:

- procedural approval requirements,
- timing of assessments,
- documentation standards,
- and internal supervisory review procedures.

While every taxpayer situation is unique, these developments have caused many practitioners to revisit prior IRS penalty assessments involving tax years and liabilities from approximately 2019 through 2023.

It is important to understand:

- not every penalty assessment is impacted,
- not every taxpayer will qualify for additional review,
- and all matters require fact-specific legal and procedural analysis.

This is not a broad-based “refund” initiative or guaranteed recovery program.

Rather, it is a professional procedural review process designed to determine whether additional evaluation may be appropriate based on the circumstances involved.

### **Important Update: IRS Appeal of the Kwong Decision**

Following the Court of Federal Claims ruling in *Kwong v. United States*, the IRS and Department of Justice filed an appeal challenging the decision.

This development was widely anticipated within the tax professional community and reinforces the fact that the ultimate outcome of the case remains uncertain.

Importantly, the appeal does not necessarily eliminate the need for timely procedural review or protective claim filing in situations where deadlines may apply.

Many tax professionals believe taxpayers who may potentially be impacted should carefully evaluate whether preserving their rights through timely filing is appropriate, particularly where procedural deadlines could otherwise expire before the appellate process concludes.

It is important to understand:

- the appellate process may take a significant amount of time,
- the courts could ultimately uphold or overturn portions of the original ruling,
- and every taxpayer situation depends on its own facts, procedural history, documentation, and applicable law.

As a result, many practitioners are encouraging potentially impacted taxpayers to evaluate their options proactively rather than risk losing the opportunity for future consideration altogether.

IRS Trouble Solvers continues to monitor developments closely and remains focused on helping tax professionals and taxpayers navigate these issues responsibly and carefully.

### **Why Tax Professionals Are Paying Attention**

Many taxpayers who experienced:

- audits,
- collections,
- business-related penalties,
- payroll tax issues,
- or substantial IRS assessments

during the 2019–2023 period may not realize that recent procedural developments could justify additional review of their matters.

For tax professionals, this creates an opportunity to:

- provide additional value to clients,
- revisit complex prior matters,
- and collaborate with experienced IRS controversy professionals where appropriate.

Importantly, the process is intended to remain:

- educational,
- collaborative,
- and highly compliance-focused.

### **Our Collaborative Review Process**

#### Step 1 — Preliminary Professional Referral Review

The referring professional submits a Professional Referral Review Form containing preliminary information regarding the taxpayer matter.

At this stage:

- no conclusions are reached,
- no outcomes are promised,
- and only limited screening information is requested.

#### Step 2 — Internal Procedural Evaluation

Our team conducts a preliminary procedural and factual review based on the available information.

This may involve:

- timeline analysis,
- procedural assessment review,
- penalty type evaluation,
- and documentation considerations.

Additional records may be requested if further analysis appears appropriate.

#### Step 3 — Collaborative Communication

Where appropriate, IRS Trouble Solvers coordinates directly with the referring professional regarding:

- documentation needs,
- procedural considerations,

- engagement recommendations,
- and potential next steps.

We believe collaborative communication is essential throughout the process.

### **Understanding Timelines and Expectations**

One of the most important aspects of these matters is setting realistic expectations.

These reviews may involve:

- extensive IRS documentation requests,
- transcript analysis,
- procedural review,
- legal evaluation,
- and prolonged IRS response timelines.

As a result, these matters may take a significant amount of time to evaluate and resolve.

Tax professionals and taxpayers should understand:

- timelines may extend over many months,
- IRS processing delays are common,
- and outcomes depend on numerous procedural and factual variables.

Because the Kwong matter is currently under appeal, taxpayers and professionals should expect that final resolution of certain matters may take an extended period of time. IRS response timelines, administrative processing, and court proceedings may significantly impact the pace of review and resolution.

IRS Trouble Solvers prioritizes thorough review and responsible case management over speed or unrealistic expectations.

### **Professional Collaboration Structure**

IRS Trouble Solvers values long-term professional relationships with CPAs, Enrolled Agents, and tax professionals.

Where permitted by applicable professional, ethical, and legal requirements, collaborative referral arrangements may be available for participating firms.

These arrangements may include:

- front-end participation compensation related to engagement activities,
- and participation related to contingency-based recoveries where applicable and legally permissible.

All arrangements are subject to:

- applicable licensing rules,

- state and federal regulations,
- ethical obligations,
- and formal written agreements.

Professionals should independently evaluate all referral or collaboration structures for compliance within their jurisdiction and professional licensing framework.

### **Why Professionals Partner With IRS Trouble Solvers**

Our team focuses exclusively on helping taxpayers navigate complex IRS matters, including:

- IRS controversy issues,
- collections,
- audits,
- penalty matters,
- and procedural review situations.

Referral partners choose to work with IRS Trouble Solvers because of our emphasis on:

- professionalism,
- communication,
- compliance,
- procedural analysis,
- and collaborative client service.

### **Next Steps**

If you believe a client matter may warrant additional review related to IRS penalties assessed between 2019 and 2023, we invite you to submit a Professional Referral Review Request for preliminary evaluation.

Our team will review the information provided and determine whether additional procedural analysis may be appropriate based on the facts involved.

[www.beforejuly10.com/review](http://www.beforejuly10.com/review)

Submit a Professional Referral Review Request

### **Disclaimer**

IRS Trouble Solvers does not guarantee any specific tax result, penalty reduction, recovery, refund, or outcome. Eligibility for any review, reconsideration, or potential relief depends on each taxpayer's individual facts, procedural history, documentation, and applicable law.

This guide is provided solely for informational and professional collaboration purposes and should not be construed as legal or tax advice. Any referral or participation arrangement is subject to applicable legal, ethical, and licensing requirements.

Because *Kwong v. United States* is currently subject to appellate review, legal

interpretations, procedural guidance, and administrative positions may continue to evolve over time.

