

# **Avoiding an Unwanted Business Partner: the IRS**

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So now you own your own business – kudos to you! You work hard and don't have to share the wealth or the grief with anyone ... so you think. All small business owners have a potential silent partner. But by implementing a few simple preventative measures, that potential partner will remain silent and out of your bank accounts – both corporate and personal.

I recommend all small business owners set up a simple separate bank account specifically for payroll and payroll tax transactions only. No matter what frequency you pay your employees, using this payroll account to sweep or stage all payroll costs can save your business. The total payroll cost – gross pay plus employer expenses – should be deposited into this account, and all subsequent payroll checks and payroll liabilities paid out of it. Simply depositing enough cash funds for the gross pay is inadequate. Depositing only the net paycheck amount is even more fatally flawed. Both can cause you a problem that may take you out of the game when it comes time to pay your liabilities.

I cannot emphasize enough the importance of all components of payroll costs being swept through this separate account. The deposits should include all three components: net pay, employee withholding, and employer expense. These liabilities are potentially accruing daily as your business operates and payroll expenses grow. Paying these accruals in a timely fashion will avoid gaining the unwanted silent business partner that knows little about operating a business and certainly less about yours – the IRS.

If you fall behind on your payroll liabilities, the first thing your new business partner will tell you is that they're not interested in financing your business and they want their money – NOW. What you didn't realize is that by not keeping current with your payroll liabilities, you are attempting to force a loan from the IRS without their permission. In their eyes, this borders on thievery. Once you understand their position, you will not be surprised by their reaction.

It is important that small business owners guard against gaining this problematic partner because they will take what belongs to them directly out of your accounts. They will have no regard for other creditors, mortgagors, employees, utilities, or vendors - all will be left standing on the platform after the train leaves.

As a final warning, after your new partner has ruined the creditor relationships that you have worked hard to build – then comes the old director's lien. A director's lien is a long arm which can reach directly into your personal assets. Even the best protective corporate structure does not always shield against a director's lien.

If you have not properly paid payroll tax obligations to the IRS and now have a new unwanted business partner, do not deal with him alone. Find yourself a reputable resolution specialist who will tell you the truth and work with all parties to unravel this problem. The solution is not cheap, but will be worthwhile for you professionally and personally.

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