



Tax Reduction Letter

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Internal Revenue Manual Section 5.7.3.3.1.1 (04-13-2006)

Indicators of Responsibility

1. The full scope of authority and responsibility is contingent upon whether the person had the ability to exercise independent judgment with respect to the financial affairs of the business.
2. If a person is an officer or owns stock in the corporation, this cannot be the sole basis for a responsibility determination.
3. If a person has the authority to sign checks, the exercise of that authority does not, in and of itself, establish responsibility.

Note:

Signatory authority may be merely a convenience.

4. Persons with ultimate authority over financial affairs may generally not avoid responsibility by delegating that authority to someone else. If a potentially responsible person asserts that the duty to pay taxes or otherwise handle the financial affairs of the business was delegated to an employee:
 - Evaluate the facts and circumstances of the case
 - Determine whether the delegation rendered the person (delegator) powerless to disburse funds or dictate fiscal policy

Note:

Delegation may be relevant when determining willfulness.

5. Persons serving as volunteers solely in an honorary capacity as directors and trustees of tax exempt organizations will generally not be considered responsible persons unless they participated in the day-to-day or financial operations of the organization and had actual knowledge of the failure to withhold or pay over the trust fund taxes. This does not apply if it would result in there being no person responsible for the TFRP. Refer to IRC 6672(e).