

# Dealing with the Hostile Taxpayer

## Introduction

State and Local Governments play several roles, one of which is to administer the revenue laws in an equitable, courteous and professional manner. Most interactions with taxpayers are non-confrontational. However, the very nature of an audit provokes stress and anxiety in the taxpayer.

Most published information advises the taxpayer to be courteous and cooperative. For example, [ColoradoIRSAudi.info](http://ColoradoIRSAudi.info) stated the following:

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## How to Handle an IRS Audit

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If you have decided that you are familiar with your tax situation, have all of your documentation and wish to handle a [Colorado IRS Audit](http://ColoradoIRSAudi.info) yourself, keep these tips in mind:

1. "Let the IRS Inquiry Guide Your Behavior: Do not offer more information than what is being asked for, focus only on the sections of the return which are being questioned. And do not bring more information or documentation with you than that which has been requested. If in fact the IRS auditor inquires about items of the return not originally outlined in your audit notice, respectfully let them know you were not prepared to review or discuss those items and should schedule an additional meeting.
2. Check your attitude at the door. No one likes the IRS but having a hostile or combative attitude towards the audit or the auditor will only work against you. It is obvious to say and difficult to put into practice but you will end up being your own worst enemy if you become argumentative with the auditor. Maintain your composure and keep your cool. Think of the worst thing that could happen during the course of the audit and measure your reaction ahead of time. When you find yourself disagreeing with the auditor state your position as professionally and precisely as possible only once and then let it go. If you are being represented, your tax professional should know how to correctly respond to any issues in dispute. Keep in mind you do have additional recourse by taking your case to the next level above your auditor and if need be on to tax court if you feel the auditor's and IRS's decision is incorrect.
3. Remember that your auditor is only human and a taxpayer too. Be respectful, organized, and informed at the appointment. You don't need to be friendly but there is no reason to be rude or contemptuous either, the auditor is only doing their job and it is not a pleasant one. Being an auditor is a highly stressful position and not a very popular one either. The experience level of an auditor could be such that they are fresh out of school and know only slightly more about the technicalities of the tax code than you do. If in fact you

have hired representation, your tax professional will likely be the one in the room that is most knowledgeable in areas involving the tax code. Therefore there's no reason to allow the whole process to overwhelm you." ([www.erate.com](http://www.erate.com))

In spite of the negative impact of conflict between the examiner and taxpayer and all the advice given to "check your attitude at the door," there will still be times when disagreements and/or hostilities erupt. Taxpayers may appear hostile or take on an adversarial position because they feel intimidated by the mere presence of a tax examiner.

While we cannot always control the taxpayer's behavior and responses, we can control our own. As representatives of State and local governmental units, we are to show respect and courtesy to taxpayers at all times even though the same respect and courtesy may not be returned. It is never advisable to engage in arguments with taxpayers. Taxpayers do not have the right to be abusive with examiners/representatives. If a taxpayer uses abusive language or attempts to intimidate or otherwise threaten an examiner, the taxpayer should be informed that their words or actions are abusive and/or offensive and the taxpayer's abusive conduct must cease. If the taxpayer continues to be abusive, the employee/representative should inform the taxpayer that their business will be completed at a later date.

Every human being experiences conflict in his own life and/or conflict with others. It is unavoidable. Whenever we interact with another human being, there is always the potential for misunderstanding. How we handle conflict is not only the key to our own well-being, but also to our ability to develop and maintain good relationships with those we come into contact with.

Remember there are three ways to deal effectively in conflict situations:

1. Listen carefully to determine the nature of the conflict
2. Identify areas that can be agreed upon
3. Allow the other person a way out, i.e. to save face

# The Verbal and Non-Verbal Connection in Effective Communication

## Body Language Basics

Verbal communication by definition is the sending of the message orally. Verbal communication does not exist in a vacuum but is affected by external factors. Non-verbal communication is equally important in effective communication. We've all heard the retort "It's not what he said, it's how he said it." A seemingly benign statement instantly becomes charged with emotion. Therefore, an effective communicator should be aware of his attitude, gestures, stance, posture, and appearance. A speaker's body language conveys a message even if unintentional.

**Scenario 1** – You are sitting in front of an interview panel with arms crossed. So far you have not been asked a single question. What message do you think your crossed arms may have sent? Your crossed arms have spoken louder than words.

**Tip 1** - Never keep your arms crossed especially during formal one-on-one meetings. Crossed arms suggest that you are not open to feedback or that you are trying to dominate the situation.

**Scenario 2** – You are presenting a sales pitch to a group of 25 people. You keep your gaze fixed at the center of the room throughout the presentation. What message has this sent?

**Tip 2** – Your gaze at one person should not be more than 4 - 5 seconds while delivering a presentation to a large group unless you are addressing an individual.

Some of the mannerisms that instill confidence and foster trust are the ability to look a person in the eye, a firm handshake, and sitting erect (not slumping). The speaker's attitude, as well, affects the message they are communicating. Positive attitudes tend to cause people to act positively, see options, and seek solutions to problems. Those who have negative attitudes tend to act defeated, assume the worst, and give up without exploring alternatives. Their body language exudes pessimism.

We communicate even when we are not saying a word. According to estimates, over 75 percent of the messages we deliver are communicated non-verbally. This is known as body language. A pleasant smile, crossing your arms, or tapping your pen on a desk send messages oftentimes louder than words. Widely spread arms convey friendliness and openness while the crossed arms may suggest a defensive stance. Even the handshake and stance of the two shaking hands can speak volume. World leaders oftentimes jockey for position. When taking a picture greeting each other and shaking hands, the leader wants to be on the left hand of the picture. When shaking hands, their hand is on top. Thus, the old saying goes, "getting the upper hand." This gesture, in worldview, shows who's more powerful and dominate.

In the Middle East, the act of who enters a room first is significant. The last one to enter is the most powerful.

### **How to Spot the Lie**

**Who's Afraid of Virginia Woolf? Elizabeth Taylor as Martha says to Richard Burton as George:**

**"Truth and illusion, George; you don't know the difference."**

**"No; but we must carry on as though we did."**

How can we tell we have been lied to? It really seems to be a coin toss. Research shows that even the experts are only right about 50 percent of the time. However, investigators can improve their odds in detecting untruths by learning a few basic verbal and non-verbal cues that are indicative of lying.

Before moving forward, it would be wise to caution that even when indicators of lying exists, it does not necessarily mean the person is lying. Reading micro-expressions and body language is not an exact science. Another caveat to consider is that one in twenty-five people are sociopaths. Lying comes easy to them and does not illicit a physical stress response. Alternately, some

people exhibit closed behavior or extreme nervousness due to personality traits rather than physical reaction caused by deception.

In actuality, reactions to stress are often misinterpreted as deception. For this reason, the lie detector test is not always effective. The lie detector test aka polygraphy basically is a stress detector, not a lie detector. The polygraph works by measuring physiological reactions such as increase in pulse rate, breathing rate, and skin temperature. These same physiological manifestations occur in all of us when we are under stress. Therefore, in an attempt to differentiate between a person's normal responses to stress and physiological changes due to lying, a baseline must be established. With a polygraph machine, the tester asks a series of questions that he knows the answers to. Once he measures the physiological reactions or stress reactions of the subject due to just being polygraphed, he then can proceed to ask questions that he does not know the answer to and gauge the changes in the stress response from the norm established. The results are analyzed using the baseline established. Physiological changes outside the norm established indicate deception.

Unlike the polygraph, the "human lie detector," i.e. the interviewer, establishes a baseline by observing the person being questioned and relies on the human power of observation. Interestingly enough, many experts in the field of deception detection give more credence to this method than to the actual polygraphy with the machine measuring the changes in physiology. For an hour long interview, it is advised that the interviewer take around ten minutes to get know the person being investigated to develop a baseline. In this amount of time, the interviewer should become familiar with the person's normal reactions while stress is low. The interviewer should build a rapport by being pleasant and friendly. Once the interview becomes familiar with the voice modulation and mannerisms of the interviewee, he can then observe changes in physical reactions. As the interview progresses, when a question hits a "nerve," the change in physical reactions becomes evident.

Effective lying requires a fair amount of intelligence and usually good communication skills. Lying requires the fabricator to keep his facts straight, make the story believable, and withstand scrutiny. In the case of a taxpayer, his story most of the time must be corroborated by physical

evidence—his records. Therefore, if he tells a lie about the tax rate he has collected, that is verifiable if records exist. The taxpayer's lie must be contrived so that it proves plausible in the face of the material evidence. The proficient interviewer will be attuned to story inconsistencies or changes.

When a person tells the truth, he usually makes every effort to ensure that other people understand. The liar, on the other hand, attempts to manage other people's perceptions. As a result, the "liar" unconsciously and unwittingly transmits small clues in the form of micro-expressions that they may not be totally truthful. Micro-expressions are non-verbal cues such as facial expressions, tics, etc., that are automatic physical manifestations that in 90 percent of people cannot be controlled.

According to experts like Mark Bouton, former FBI agent and author of the book **How to Spot Lies Like the FBI**, many interviewers rely too heavily on eye contact or the lack thereof. Many people, especially habitual liars, make a conscious effort to increase their eye contact because they believe it will help conceal their deception. Nevertheless, eye aversion during difficult questions can depict distress and possible deception.

Two noted psychologists Allan and Barbara Pease conducted a study whereby a group of volunteers told lies to another group of volunteers. Thirty percent of the volunteers looked away from the people as they lied to while 70 percent kept strong eye contact. The victims believed 75 percent of those who looked them in their eyes, but did not believe 80 percent of those who looked away. Clearly, eye contact is not a strong indicator of whether or not a person is lying.

However, the eyes do give clues to whether or not a person is being deceptive. Aversion of the eyes when a person answers a question could indicate deception. When eye aversion is combined with other mannerisms such as clearing his throat, swallowing often, fidgeting in his chair, or moving his legs to point toward the exit, the probability of deception is higher.

Other eye “clues” are eyes darting side-to-side. This means that the person is unconsciously searching for an escape route to get away from the question. Glancing away is not the same as the eyes darting. A small amount of glancing away is normal.

When a person is asked a question that requires him to check his visual memory about an event, he’ll often pause and his eyes will shift upward. If he’s trying to recall what happened by creating the scene in his mind, his eyes will shift upward and to his left—your right as you look at him.) If the person is not being truthful, but trying to make up a story, his eyes will shift upward and to his right (your left).

If a person is asked to remember a particular sound she has heard, the eyes shift toward the left, toward her ear. If she is fabricating a story, her eyes will shift to the right, toward her ear.

Another sign that a person is trying to access a true memory is that the person stares straight ahead with an unfocused look. He or she is trying to concentrate on the recall of a truth. Usually any answer given is not a purposeful lie.

Eye shifts to the right portend lies. Eye shifts to the left are usually truthful. Another example: A person is trying to recall the memory of an aroma, her eyes shift downward and to her left. She is truly trying to remember what the aroma was. Shift to the right and she is probably trying to come up with a believable reply.

Head and body movements also reveal inconsistencies in story with reality. The interviewer should always be cognitive of inconsistencies between the spoken word and nonverbal behavior. For instance, a person that says yes, but is shaking their head is indicative of deception. “No, I did not do it” while they nod to the affirmative is a “tell.” When a person feels comfortable, they usually mirror the head movements of the person with whom they are conversing. An unwillingness to mirror the interviewer’s head movements or other gestures could indicate increased discomfort, reluctance to cooperate or answer, or possibly outright deception.

Truthful people tend to lean forward as they talk while liars move away. If a speaker leans backwards when answering a question, the answer likely contains at least some level of deception or reluctance to provide the information.

Hands and arms also give clues as to the honesty of answers. Confident, truthful people usually will spread their hands and arms out in an area while less secure people tend to close up. They tend to try to occupy less space, fold their arms, and interlock their legs. A person whose lips, hands, or fingers tremble or who tries to hide their hands indicates low confidence. However, as with all visual clues of deception, these characteristics alone do not guarantee that a person is being deceptive. However, a liar rarely points a finger or emphasizes with hand gestures as these two traits exude confidence. The majority of liars, unless pathological, lack true confidence.

Other tells exhibited by liars could be slouching in a chair, angling their body away from the interviewer, drawing their arms close to their bodies, and keeping their hands motionless. In some cases, the speaker/liar's knuckles will turn white as they clutch the armrest. If there is a bottle of water, pack of cigarettes, or some other prop available, they tend to move them between the interviewer and themselves to set up a "roadblock." If standing, movement toward an exit indicates looking for a way out.

The liar also leaves verbal clues. A liar will often avoid using contractions. "I did not have sexual relations with that woman."—Bill Clinton. Liars will say "It was not me." Other phrases such as "I would never do that" or "I have never lied" or "I would never lie" all can be indications of deception. If a person immediately answers yes or no to a question, but then takes time to postulate a story may be because he needs more time to construct an answer.

Silence usually makes people uncomfortable. Liars tend to continue speaking until they feel confident that the listener believes their version as truth. The truthful person is more interested in making the listener understand giving both the positive and negative details in their explanation. Deceptive people will rarely include negative details.



Liars sometimes conceal the truth by providing the truth up to a certain point—the lie they want to conceal. They then use a “text bridge” to gloss over the concealed activity. After crossing the “bridge,” they again begin telling the truth. These bridges enable the speaker to move forward in time avoiding mentioning the sensitive event. For example, a man says, “I left the house to go to work, and when I returned home, I found my wife lying in a pool of blood.” There is evidently missing information that needs to be followed up on. Was she alive when he left? In the case of an auditee he might state he made the sales and the accountant filed the reports. He has left a bridge. Who compiled the data and from what records?

The more observant an interviewer is, the greater the probability of gaining the true facts.

A summary of Mark Bouton he lists 10 “secrets to spotting lies.”

1. Touching – mouth, nose, neck, eyes, ears, objects
2. Omission – words, ideas, answers, clarifying statements
3. Speech – stuttering, mumbling, pausing, scrambling phrases, slurring words, bad syntax, higher pitched voice
4. Posture – stiff, leaning away, stonewalling, turning sideways, shoulder roll, head jerks or shifts
5. Obfuscation – fake smile, ill-timed gestures, words unlike emotion, no use of contractions
6. Tells – mimicking, bridging, modifying, blocking, displacing, stalling, denial, inclusion
7. Attitude – creased forehead, grimaces, clenched fists, arms crossed, hands stuffed in pockets
8. Legs – bouncing, swinging, crossing, pointing, tucking
9. Incongruity – gives quick or partial shrug, smiles when saying something serious, exaggerates reactions
10. Eyes – no contact, blinking, darting, glancing away, closing, shifting, aversion, “mercy stare”

## Barriers to Effective Communication

Communication is effective if and only if the messages sent by the sender are interpreted with the same intended meaning by the receiver. If any kind of external forces or background noise blocks any step of communication, the message will not be received.

It is important to try to remove barriers when communicating with taxpayers. Barriers tend to cause frustration and/or anger. The following are a few barriers to communication that examiners should be aware of when conducting an interview.

1. **Perceptual and language differences** - Perception is defined as how an individual interprets the world around him. Everyone wants to receive messages which are significant to them. However, any message which is against their values is not accepted. The same message may be taken differently by different individuals. The linguistic differences also lead to communication breakdown. The same word may mean different things to different individuals, thus offensive to one while acceptable to the other.
2. **Information overload** - Examiners sometimes have massive amounts of information to share. The flow of the information and method disseminated should be closely monitored for feedback to ensure that the taxpayer is not overwhelmed.
3. **Inattention** - Sometimes we just don't listen or do not "actively" listen. We allow our minds to wander. We lose patience, and decide we are not interested, and tune out. We interrupt. Also, we can think faster than a speaker can talk. We jump ahead and form conclusions without hearing the entire message.
4. **Time Pressures** - In a haste to meet deadlines, channels of communication are shortened and some communication overlooked altogether. Time must be given to effectively communicate to make sure we get the records needed to complete a thorough, accurate audit.
5. **Distraction/Noise** - Physical distractions such as noise, lighting, cluttered desk, uncomfortable desk, uncomfortable temperatures tend to affect the flow of communication. For instance, if a siren is blaring in the background, it becomes hard to focus on the message being sent. The two events are competing for attention. One event (the blaring noise) is drowning out the message (presentation).

6. **Emotions** – The emotional state of either the sender or receiver can impede communications. An angry person is neither receptive nor able to communicate as effectively as a calm, collected one. As a listener, we sometimes overreact to what is being said and respond emotionally without giving the speaker our full attention. An effort should be made to diffuse anger.
7. **Complexity in organizational structure** – The greater the hierarchy in an organization, the more chances that communication will not flow to the intended recipients. Only the managers at the top see the entire picture. Tax laws are complex and interpretations are subject to change due to court cases. Care should be taken, not only when auditing, to make sure that information given to a taxpayer is correct. Communication with management is necessary to make sure tax policy is clearly understood and conveyed. If a taxpayer is given inaccurate information that leads to a tax liability, the taxpayer will naturally be angered and resentful.
8. **Poor retention** – Persons cannot always retain what they have heard or seen. Remember taxpayers are not generally as educated in tax law as the examiner. Be sure to clearly convey information. When involved in multiple audits, it is difficult to retain information on each individual audit. Take notes and refer back to them.

Listen actively and carefully. There is a big difference between hearing and listening. Active listening requires hearing with proper understanding of the message that is being sent. Be patient for the entire message. Focus on the speaker. Provide feedback. Whether you are the receiver or sender, ask questions, when appropriate, to be sure the intended message is understood. Say something like “So, you are saying that. . . .” or “If I understand you correctly. . . .” Silence is sometimes a good thing. This allows you to give your undivided attention to the person who is trying to communicate. You may give some non-verbal cues such as nodding your head or smiling to encourage the person to continue. Verbally encourage the speaker: “Tell me more.”

According to estimates, we only use 25 percent of our listening capacity. Additional benefits can be achieved by taking three simple steps:

1. Look at the speaker – 15 percent benefit
2. Ask questions – Another 15 percent
3. Take notes – 20 percent more benefit

Avoid giving negative feedback. The receiver may become offended and tune you out. Constructive feedback, even if it is negative, leaves the receiver open to receive the intended message.

Try to avoid “absolutes” and “limits.” Statements such as “It will never work” or “We always do it that way” blocks effective communication. An impenetrable barrier goes up.

Simple messages should be conveyed orally while more complex issues should be addressed face to face, official memos, and/or meetings.

Deadlines given taxpayers should not be so rigid as to cut off communications. Ample time should be allowed for records to be provided. At the end of the audit, once again, the taxpayer should be given time to review the audit and working papers.

When communicating, be sure to identify your target audience. The receiver of the information dictates the use of language. If your target audience is taxpayers attending a New Business Workshop, you would want to speak to them in “plain English.” If the audience is a group of Revenue Examiners or CPA’s, professional terms should be used. If you must use a technical term that may be foreign to the audience, define the meaning and be sure the recipient of the message understands. Remember many people are afraid to ask because they are either intimidated or fear looking “foolish” or “not as smart.” Be sensitive to your audience.

## Initial Interview of the Taxpayer

An important source of information is the initial interview. A good interview is a basic part of a quality audit. As noted earlier, it is advisable to spend at least 10 minutes at the beginning of the interview to build a rapport with the taxpayer. The interviewer should use this time to foster trust and study the taxpayer's normal demeanor and voice modulations when they are not under undue stress.

The purpose of the interview is to obtain information by conversation from the taxpayer. There is no substitute for sound judgment and friendliness in contacting the taxpayer for an interview. The examiner should advise the taxpayer of the purpose of the visit. When gauging the taxpayer's responses, it is advisable to give pleasant emotional responses to taxpayer's answers to your questions. Be fair and keep an open mind that is receptive to all information. Make sure notes are complete and legible to accommodate later review.

During the interview, be sure to ask questions relevant to the taxpayer's trade or business.

During pre-examination planning, write down questions that need to be answered. For instance, how much cash does the business keep on hand, does the lounge charge a cover and how much, etc.? How much mark-up does the taxpayer say he is applying? The best time to get honest, forthright answers is at the onset of the audit. Later in the audit process, the taxpayer could become defensive and less inclined to answer questions—especially if he feels that he is going to owe taxes. Also, the beginning of the audit may be the only time you have direct contact with the taxpayer. The taxpayer may employ an accountant to deal with the audit details and all further responses may be controlled by a third party that has not been directly involved in the business.

The following is a summary of effective interview techniques:

1. Listen to the taxpayer's responses to your interview questions. Ask open ended questions. Probe deeper with other questions to obtain all the facts.
2. Document the taxpayer's responses. Do not rely on memory to recall specifics. Explain to the taxpayer why you are making notes to allay anxiety.

3. Develop an overall financial picture of the taxpayer by asking questions that establish the taxpayer's use of cash and bank accounts in a systematic manner without communicating any negative judgments.
4. Allow the taxpayer to respond and document information he feels is relative.

## **Opinions, Complaints or Questions**

Opinions should not be confused with complaints. Opinions are just that – an opinion of another person. Everyone has an opinion. And everyone has a right to their opinions. Opinions are simply what that taxpayer believes about the situation. You are not responsible for answering an opinion. In fact, while it is unlikely you will change their opinion, it is likely you will be drawn into an argument, unrelated to the situation at hand.

A complaint, on the other hand, is an objection to the actual process. You must address this concern immediately, in a positive and non-confrontational manner without any additional conversation or small talk. If the taxpayer is not involved in the actual process they have a complaint about, it is an opinion.

Questions must be answered. Remember that you deal with the Code of Alabama and audit examinations on a daily basis. You are familiar with the processes and vocabulary. If a taxpayer repeatedly asks the same question, which you have repeatedly answered, something else is going on. They may not be listening. They may hope you eventually provide a different or more favorable answer.

But, one possibility is they do not know how to properly articulate what they are asking. They are using the only vocabulary they have to communicate potentially unfamiliar ideas. So, they may not be communicating their real question, and keep repeating the same question. In other words, you haven't answered the question they didn't know how to ask. By asking them additional questions you can determine exactly what information is being sought and then address their real question or concern.

## **Communicating Audit Results**

An examiner must use sound judgment in determining when to terminate an audit. The audit must be concluded when the examiner has considered all items necessary for proper determination of the sales tax liability. If the examination results in an understatement of gross receipts, the examiner should be prepared to explain the understatements to the taxpayer in terms that the taxpayer can understand. The examiner should try to limit his arguments to the books and records involved rather than make accusations regarding the taxpayer's motives. This usually results in more successfully concluded examinations. The schedules should guide any reader to a conclusion that is easily followed and understood. The Basis for Assessment and Penalties Applied should be thoroughly explained and addressed specifically in the Confidential Audit Report.

The examiner should also keep an open mind and listen to the taxpayer's explanation of the understatement. If he then determines that an error exists in his audit methodology or estimations, he should be willing to change the audit. The examiner should always bear in mind that his job is to determine the correct amount of tax, regardless of whether a refund or liability exists.

## **Communicating and Resolving Problems with the Taxpayer**

Suggestions for effectively communicating and resolving conflicts when dealing with our customer base:

1. Control anger. We are all human and as such, we all get angry and defensive when we feel under attack. However, we do not have to be controlled by that anger. Practice ways to control anger and other negative emotions. Do not respond to anger with anger.
2. Practice good listening skills and remain silent until the taxpayer has their say. Do not interrupt.

3. Acknowledge the taxpayer's anger. Acknowledging in not agreeing with or condoning. Do not try to appease or make comments such as "Now, don't be angry." Acknowledging the taxpayer's anger is crucial. If you don't believe this, try an experiment. With your spouse or significant other, either notice your feelings when your anger is not acknowledged (it escalates along with the argument), or notice how quickly the argument becomes diffused (and productive) when you do acknowledge the other person's anger.
4. Do not yell or lecture. This disrespects their point of view. They want to be respected and their concerns addressed.
5. Be responsive by verifying the person's message after they have had the opportunity to voice their complaint.
6. Be specific about what you are going to do to help.
7. Do not make promises you cannot keep in an effort to diffuse the situation.
8. If you promise to follow-up and get back in touch with them, be sure to follow through.
9. Allow angry people a way out regardless of what they say. Allow them to "save face" or apologize. Accept apology, if given. Once again, don't lecture.
10. If the taxpayer becomes abusive, the examiner should have the ability to inform the taxpayer that the conversation is over.

In summary, when dealing with the public—whether a complaint or request for taxpayer assistance:

1. Show a willingness to help
2. Show concern for their feelings
3. Do not take complaints personally
4. If they have been transferred ten times already, apologize and try to make it their last one!



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## DEALING WITH THE HOSTILE TAXPAYER

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### Role of Auditors

- ▶ Administer the revenue laws
  - equitable,
  - courteous and
  - professional manner

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### Advice to Taxpayers

- ▶ Colorado IRS audit website
  - Let the IRS inquiry guide your behavior
  - Check your attitude at the door
  - Hostile or combative attitude is detrimental
  - Keep your cool
  - Remember that the auditor is only human, too

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### Sources of Conflict

- ▶ Taxpayers are under stress
- ▶ Taxpayers don't always agree
- ▶ Taxpayers sometimes feel intimidated
- ▶ Taxpayers sometimes feel helpless
- ▶ Some taxpayers feel targeted
- ▶ Natural stress response: Fight or flight

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### Best advice to taxpayer . . .

- ▶ Do not offer more info than is being requested
- ▶ Check attitude at the door
- ▶ Remember your auditor is only human and a taxpayer, too
- ▶ If needed, hire representation

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### Best advice to auditor . . . .

- ▶ Basically the same
- ▶ Check your attitude at the door
- ▶ Remember that the taxpayer is also human
- ▶ Taxpayer has vested interest in outcome of the audit

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### If conflict gets out of control . . .

- ▶ Maintain your cool
- ▶ Show respect and courtesy
- ▶ Avoid arguments with taxpayer
- ▶ Limit discussion to books and records
  - Do not attempt to lecture taxpayer or accuse
- ▶ Remember, a taxpayer does not have the right to be abusive
- ▶ Remove yourself from a potentially violent or threatening situation

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### Dealing with Conflict

- ▶ Listen carefully to determine the nature of the conflict
- ▶ Identify areas that can be agreed upon
- ▶ Allow the other person a way out, i.e. to save face

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### Communication

- ▶ Verbal
  - Sending the message orally
  - Affected by external factors
- ▶ Non-verbal
  - Body language
  - It's not what he said, but how he said it . . . .
    - Verbal and non-verbal

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▶ You are sitting in the front of an interview panel with arms crossed. So far you have not been asked a single question.

▶ What message do you think you have already sent?

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▶ Crossed arms suggest you are not open to feedback or that you are trying to dominate the situation.

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▶ You are presenting a sales pitch to a group of 25 people. You keep your gaze fixed at the center of the room throughout.

▶ What message have you sent?

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- ▶ Tip: Hold gaze for more than 4 to 5 seconds while delivering a presentation—unless answering a question

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### How to “spot” the lie

- ▶ “Truth and illusion, George; you don’t know the difference.” Martha (Elizabeth Taylor) says to George (Richard Burton)
- ▶ George’s response: “No, but we must carry on as though we did.”
- ▶ — *Who’s Afraid of Virginia Woolf?*
- ▶ *How can we tell we are being lied to when we interview a taxpayer?*

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### Disclaimer. . .

- ▶ Even experts can only detect lies about half the time!
- ▶ Then there are the sociopaths!
  - No stress response
- ▶ And then there are the taxpayers who are simply nervous
  - Lie detection = stress detection

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## Polygraphy

- ▶ Works by measuring physiological reactions
  - Pulse rate
  - Breathing rate
  - Skin temperature
- ▶ Establish a baseline with simple questions
- ▶ Measure differentiations in physiological reactions when key questions asked and answered
- ▶ Physiological reactions/stress reactions = lying

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## Human Lie Detector

- ▶ Must establish baseline
  - One hour interview – 10 minute prelude
  - Become familiar with voice modulation and mannerisms
- ▶ Interviewer builds rapport during early interview
- ▶ Observes physiological responses
  - Do key questions hit a nerve?
- ▶ Could be as effective as a polygraph

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## Is everyone a good liar?

- ▶ Good liar = Intelligent with good communication skills
- ▶ Must weave a tale
- ▶ Keep story straight
- ▶ Make the story believable
- ▶ Withstand scrutiny

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## Truthful person

- ▶ Makes every effort to make sure you understand

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## The Liar

- ▶ Attempts to manage perceptions
- ▶ Unconsciously sends messages via micro-expressions
- ▶ Micro-expressions
  - Facial expressions
  - Tics
  - Half smile
  - Etc

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## Body language basics

- ▶ Lansley, Cliff. "Lie to Me: Reading Emotions and Deceit Through Facial Expressions from DPG." *Youtube.com*. N.p., 19 Dec. 2010. Web. 19 May 2013

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## The Eyes

- ▶ Aversion of the eyes
- ▶ Eyes darting side to side
- ▶ Blinking
- ▶ Strong eye contact
- ▶ Study by Alan and Barbara Pease, Psychologists
  - 30 percent of volunteers looked away from the people they lied to
  - 70 percent kept strong eye contact
  - Victims believed the lie 75% of the time liar kept eye contact

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## Strong Tell

- ▶ Aversion of the eye combined with other mannerisms
  - Clearing throat
  - Swallowing often
  - Fidgeting
  - Moving toward exit
  - Point legs toward exit
  - Touching the face
  - Placing up barriers

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## Recalling a truth

- ▶ Looking straight ahead, unfocused look
  - Trying to recall the truth
- ▶ Recalling an aroma
  - Eyes shift downward and to the left - your right
- ▶ Recalling a visual memory about an event
  - Pause and eyes will shift upward
- ▶ Recalling what happened by recalling a scene
  - Eyes shift upward and to his left -- your right
- ▶ Recalling a sound
  - Eyes shift toward the left, toward his ears --your right

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## Eyes

- ▶ Shift to the right - she lies
- ▶ Shift to the left -- the truth?
  
- ▶ Unless the person is left handed!
- ▶ Important to establish the baseline.
- ▶ Observe the mannerisms.

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## Head and body move in concert

- ▶ If I ask you if you are mad and you say no, but are nodding up and down, what does that say?
- ▶ Mirroring - When an interviewee is comfortable, tend to mirror the head movements of the person they are conversing with

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## Body language of deception

- ▶ Truthful people tend to lean forward
- ▶ Liars move away
  
- ▶ Confident truthful people will spread their hands and arms
- ▶ Liars are more closed
  - Fold their arms, interlock their legs, try to occupy less space

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- ▶ Non-truthful people may slouch in their chair
- ▶ Angle their body toward the door
- ▶ Keep hands motionless
- ▶ Clutch the armrest
- ▶ Place objects or some other prop between themselves and the interviewer
- ▶ Look for a way out

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- ### Verbal clues
- ▶ Liars avoid using contractions
    - "I *did not* have sexual relations with that woman."  
-- Bill Clinton
  - ▶ Make qualifying statements and phrases - "I would never lie." "Why would I lie?"
  - ▶ Uncomfortable with silence

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- ▶ Form text bridges
  - "I left the house to go to work, and when I returned home, I found my wife lying in a pool of blood."
- ▶ Lie by omission
- ▶ There may be some truth to the lie

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### Summary—10 Secrets to Spotting the Lie

- ▶ Touching – mouth, nose, neck, eyes, ears, etc
- ▶ Omission – words, ideas, answers, clarifying statements
- ▶ Speech – stuttering, mumbling, pausing, higher pitch voice
- ▶ Posture – stiff, leaning away, slouching
- ▶ Obfuscation – fake smile, ill-timed gestures, no use of contractions
- ▶ Tells – bridging, modifying, blocking, stalling
- ▶ Attitude – Creased forehead, grimaces, clenched fists

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### Summary

- ▶ Legs – bouncing, swinging, crossing, pointing, tucking
- ▶ Incongruity – Gives quick or partial shrug, smiles when saying something serious, exaggerates reactions
- ▶ Eyes – no contact, blinking, darting, glancing away, closing, shifting, aversion, and the “mercy stare.”

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### Barriers to Communication

- ▶ Perceptual and language differences
  - How an individual interprets the world
- ▶ Information overload
  - Too much information – control the flow
- ▶ Inattention
  - Actively listen
- ▶ Time pressures
  - Deadlines shorten communication

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## Barriers

- ▶ Distraction/noise
  - Lighting, cluttered desk, uncomfortable surroundings
- ▶ Emotions
  - Sender or receiver angry, nervous, hurried, hyper
- ▶ Complexity in organizational structure
  - Barriers within organization
  - Tax department and purchasing in conflict
- ▶ Poor retention
  - Clearly convey information
  - Take notes and refer back to them

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## Additional tips

- ▶ Ask open ended questions
- ▶ Listen for entire answer
- ▶ Focus on the speaker
- ▶ Provide feedback – “So, you are saying . . .”
- ▶ Non-verbal – nod head, smile, etc
- ▶ Encourage the speaker – “Tell me more. . .”
- ▶ Avoid absolutes and limits (It will never work)
- ▶ Avoid giving negative feedback

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## Increase Listening Capacity

- ▶ Look at the speaker – 25 percent
- ▶ Ask questions – Another 15 percent
- ▶ Take notes – 20 percent more benefit
  
- ▶ Total value of all three – 60 percent

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## Make good use of interview

- ▶ Obtain information through conversation
- ▶ Be fair and open-minded
- ▶ Be friendly, not condescending
- ▶ Give pleasant emotional responses to taxpayer's answers to your questions
- ▶ Avoid yes/no questions
- ▶ Document responses
- ▶ Control the direction of the interview

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## Opinions vs Complaints

- ▶ Opinions
  - Belong to the other person and they have the right to their opinion
  - Simply what the taxpayer believes about the situation
  - Not responsible to answer an opinion
- ▶ Complaints
  - Objection to the process
  - Address concerns immediately
    - Maintain positive, non-confrontational attitude

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## Answer questions

- ▶ Listen to the taxpayer's questions
- ▶ Address their concerns
- ▶ Delve deeper into the question when the taxpayer does not understand
- ▶ Repeat the question to avoid misunderstanding
- ▶ Provide laws and rules
- ▶ Attempt to explain in simple, non-technical terms.

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## Communicating audit results

- ▶ Once again, basis for assessment
  - Simple, non-technical terms
- ▶ Limit arguments to books and records
- ▶ Avoid accusing or personally attacking the taxpayer
- ▶ Be willing to adjust audit, if taxpayer provides additional information to justify

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## Resolving conflict with taxpayer

- ▶ Control anger
- ▶ Practice good listening skills and remain silent, when necessary
- ▶ Acknowledge the taxpayer's anger
- ▶ Do not yell or lecture
- ▶ Be responsive by verifying their message
- ▶ Be specific about what you are going to do to help
- ▶ Do not make empty promises
- ▶ Follow-up and get back in touch
- ▶ Allow angry people of way out
- ▶ If the taxpayer becomes abusive, end the conversation/remove yourself from situation

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## Final word

- ▶ Show a willingness to help
- ▶ Show concern for taxpayer's feelings
- ▶ Don't take complaints personally
- ▶ If they have been transferred several times, apologize and try to find the right source for their information---even if it isn't you

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