



YOUR VOICE AT THE IRS



Consumer Tax Tips UNDERSTANDING THE COLLECTION PROCESS

It is in your best interest to contact the IRS and try to resolve the tax debt you owe as soon as possible because the IRS will continue to charge you penalties and interest. This document will help you understand what avenues and assistance are available to you. If you cannot pay the full amount of your tax debt, you should still timely file your future tax returns and pay as much as you can to reduce penalties and interest.

The IRS generally will contact you through a collection notice sent by U.S. mail. The IRS may take action to collect money if you do not pay the taxes you owe in full, if you do not pay the taxes you owe on time, or if you do not make arrangements with the IRS to develop a tax payment plan.

The Taxpayer Advocate Service has attempted to postpone the collection process for many clients of TaxMasters, Inc. This postponement, however, is temporary and the IRS is likely to contact you soon. We want you to understand both your rights and responsibilities as a taxpayer, and the collection alternatives available to you. We all want you to successfully resolve your tax problems with the IRS, so you can move on with your lives.

The following information is adapted from the Taxpayer Advocate Service's Tax Collection and Payment Alternatives web page. For additional information and videos relating to IRS Collection, please visit our website at www.TaxpayerAdvocate.irs.gov and go to "Get Tax Help" on the "Individuals" web page.

What if I can't pay in full?

Depending on your circumstances, you may qualify to pay your tax in monthly installments. If you are interested in paying in installments, you need to apply for an installment agreement or a partial pay installment agreement. For a video on installment agreements from the National Taxpayer Advocate, visit the web page above. For additional information, go to www.irs.gov and search for "Installment Agreements."

Note: The IRS generally charges a fee for setting up an installment agreement. You may qualify for a reduced fee if your income is under a certain level (see chart below). Interest and penalties will still accumulate while the installment agreement is in place.

Reduced User Fee Income Guidelines

Size of Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$27,225	\$34,000	\$31,350
2	\$36,775	\$45,950	\$42,325
3	\$46,325	\$57,900	\$53,300
4	\$55,875	\$69,850	\$64,275
5	\$65,425	\$81,800	\$75,250
6	\$74,975	\$93,750	\$86,225
7	\$84,525	\$105,700	\$97,200
8	\$94,075	\$117,650	\$108,175
For each additional person, add	\$9,550	\$11,950	\$10,975

What if I can't pay at all (currently not collectible)?

The worst thing you can do is do nothing at all! Call the phone number on the letter the IRS sent you if you cannot pay your taxes or call the IRS at 1-800-829-3903. Because you will need to give the IRS complete financial information, make a list of your monthly expenses and income before you call, and be prepared to discuss those with the IRS. Be sure to consider:

- Medical costs
- Transportation costs (gas, repairs, insurance, bus fares, etc.)
- Housing costs (rent, mortgage payments, etc.)
- Other expenses that you don't pay every month (for these costs, consider your total yearly costs and divide that amount by 12 to come up with an average monthly amount)
- Extraordinary circumstances (life-changing events including job loss, business downturn, ongoing or terminal illness of self or a family member, etc.)

If the IRS agrees that you can't pay, it may suspend collection action and classify your account as currently not collectible (CNC). CNC does not mean the debt goes away. Penalties and interest will continue to accrue, and the IRS may collect against you in the future if your financial situation improves.

What if I don't pay voluntarily?

If you don't pay your tax bill or contact the IRS to arrange payments, the IRS will take action to collect what you owe. This can include:

- 1. Filing a Notice of Federal Tax Lien** – A lien is a claim against your property that will appear on your credit report and may harm your credit rating. The IRS will release the lien once the taxes, penalty, interest, and recording fees are paid in full.
- 2. Serving a Notice of Levy or seizing assets** – The IRS can collect the amount you owe from your wages, bank accounts, Social Security benefits, retirement or other sources of income. If the tax isn't paid and you haven't made arrangements, the IRS may seize your car, home, or other property. You can generally request a hearing to resolve your tax payment issues before the IRS takes such action.
- 3. Applying other tax refunds** – The IRS may apply any future federal or state tax refunds you receive to pay down the debt you owe.

What if the IRS has taken or will take my wages, bank account, or other property?

If the IRS has just levied your wages, bank account, or some of your property held by another, you may be able to get the levy released and keep your property if you can't pay your basic living expenses. Contact the IRS at 1-800-829-3903 and tell the representative that your current income is not enough to meet your basic living expenses unless the levy is released. Be prepared to fax or mail financial information to the IRS establishing your current income and living expenses. If you provide the financial information but the IRS won't release the levy or return property it seized, and you need the property to live or are experiencing an economic emergency, the Taxpayer Advocate Service (TAS) may be able to help you. You may contact TAS by calling our toll-free number at 1-877-ASKTAS1 (1-877-275-8271)

What if I can't sell property, refinance a mortgage, or get a job because I have a lien filed against me?

The IRS lien remains on your property until your taxes are paid in full or for as long as the IRS is able to collect the taxes. If you do not think the filing of the tax lien was appropriate, you may be able to request a hearing to challenge the IRS lien. See Publication 1660, *Collection Appeal Rights*, for more information on how to request a hearing. You can get a federal tax lien released if you pay your taxes in full. You also may request a lien subordination, discharge, or withdrawal. For more information, watch the National Taxpayer Advocate's video on liens at www.TaxpayerAdvocate.irs.gov under "Collection and Payment Alternatives," or read IRS Publication 594, *The IRS Collection Process*. You can get the publication at www.irs.gov.

Lien Subordination

When you request lien subordination, you are asking the IRS to make a federal tax lien secondary to a non-IRS lien. For example, you might ask for a subordination of the federal tax lien to refinance the mortgage on your house or other property. You would ask to make the federal tax lien secondary to the mortgage, even though the mortgage came into existence after the tax lien filing. Publication 784, *How to Prepare Application for Certificate of Subordination of Federal Tax Lien*, provides more information on lien subordinations.

Lien Discharge

When you request a lien discharge, you are asking the IRS to remove a federal tax lien from a specific property. For example, you may ask for a discharge of the lien in order to sell your house if you use your net sale proceeds to pay your taxes even though this will not fully pay what you owe. Publication 783, *Instructions on How to Apply for Certificate of Discharge from Federal Tax Lien*, provides more information about discharges.

Lien Withdrawal

When you request a lien withdrawal, you are asking the IRS to remove the Notice of Federal Tax Lien (NFTL) from the public records. You may ask for a withdrawal of the filing of the NFTL if you believe:

- the IRS filed the NFTL prematurely or did not follow procedures
- you have entered into an installment agreement that does not require filing of the NFTL
- the withdrawal will facilitate the collection of the tax, or
- it is in the best interests of the taxpayer and the United States to withdraw the NFTL.

A withdrawal removes the NFTL from your credit report, but it does not remove the debt from your IRS records unless you've made full payment. You can ask the IRS to withdraw a lien notice on Form 12277, *Application for Withdrawal of Filed Form 668(Y), Notice of Federal Tax Lien (as based on Internal Revenue Code Section 6323(j))*.

If the IRS refuses to subordinate or discharge your tax lien, withdraw your NFTL, or you have an economic emergency, the Taxpayer Advocate Service (TAS) may be able to help you. You may contact TAS by calling our toll-free number at 1-877-ASKTAS1 (1-877-275-8271)

Will the IRS settle for less than full payment (Offer in Compromise)?

An Offer in Compromise (OIC) is an agreement where the IRS agrees to accept less than the full amount that you owe. The OIC program is an option if you can't pay your tax balance in a lump sum, through an installment agreement, or other payment arrangements. If you pay the reduced amount and remain in tax compliance for the period specified in the

agreement, your liability (the amount owed) is resolved. Most taxpayers must pay a fee to request an offer. The IRS will generally not accept an offer if you can pay the tax debt in full. For a video from the National Taxpayer Advocate regarding OICs, visit www.TaxpayerAdvocate.irs.gov under “Collection and Payment Alternatives.”

The IRS also has a streamlined OIC program for wage earners, unemployed, and self-employed taxpayers. For more information, go to www.irs.gov and search for “Streamlined Offer in Compromise.”

What if I disagree with IRS collection actions?

Depending on where you are in the collection process, you may be able to appeal the IRS’s actions through Collection Due Process or the Collection Appeals Program. For more information, see [Publication 1660, *Collection Appeal Rights*](#), call 1-800-829-3676, or visit www.irs.gov/taxtopics/tc151.html.

May I have someone represent me before the IRS?

You may be represented before the IRS by any attorney, certified public accountant, or enrolled agent who has not been barred from practice before the IRS. If you can’t afford to hire a representative, you may qualify for free assistance from a Low Income Taxpayer Clinic (LITC) if you meet certain income requirements. LITCs are independent from the IRS and provide professional representation before the IRS or in court on audits, appeals, collection disputes, and other issues for free or for a small fee. [Publication 4134, *Low Income Taxpayer Clinic List*](#), explains the income requirements and can direct you to a clinic in your area. You can also visit the Taxpayer Advocate Service website at www.taxpayeradvocate.irs.gov for a list of all clinics.

When should I seek help from the Taxpayer Advocate Service?

Before seeking assistance from the Taxpayer Advocate Service (TAS), you or your representative should try to resolve your tax problem first by working directly with the IRS. If the IRS is unresponsive, taking too long to resolve your problem, you are experiencing an economic emergency, or the IRS is threatening action that will cause harm to you or your family, TAS may be able to help you. You may contact TAS by calling our toll-free number at 1-877-ASKTAS1 (1-877-275-8271).

For more information on the programs and options covered in this document, please visit www.TaxpayerAdvocate.irs.gov under “Collection and Payment Alternatives” for videos, publications, and other resources.