TaxReliefCenter.org

The Taxpayer's Guide to IRS Tax Relief Options

A Comprehensive Guide to Resolving Tax Debt

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Who Can Benefit from a Free Tax Relief Consultation?

For individuals and businesses who owe back taxes to the IRS, and have an urgent need to stop or prevent IRS enforcement action and settle IRS tax debt for substantially less than the full amount owed, **a free tax relief consultation can offer much needed relief and provide an overview of the taxpayer's legal tax relief options. All tax relief consultations come with no obligation and there is no charge** to get an honest assessment of your current situation and the realistic IRS settlement options available to you.

About the Free Tax Relief Consultation

Even though a free tax consultation can take as little as 15-30 minutes, there are **three basic steps** in the free tax relief consultation and resolution:

1. **Debt analyst listens and understands the taxpayer's situation and needs** – First, the tax resolution specialist needs to find out how much in back taxes the IRS claims that the taxpayer owes. In addition, it's important to gain an understanding of the situation that may have caused the tax debt and/or penalties and interest to accumulate. Also, it's vital for the IRS tax debt analyst to understand if there are any extenuating circumstances that the IRS needs to take into consideration – such as personal hardship, business hardship, loss of income, medical hardship, innocent spouse, or other situation that may have led to the tax debt. In order to present each case to the IRS, all circumstances which led to the tax debt must be understood and presented in the best possible light to the IRS.

2. **Tax debt consultant proposes a solution based on taxpayers unique set of circumstances and goals.** No single tax relief option is the right solution for every situation. As a result, based on the information gained by the tax debt analyst, the remainder of the free tax debt relief consultation is transferred to the appropriate tax debt consultant who has the unique expertise and track record of resolving the specific tax debt issue at hand. The tax debt consultant will then present a step-by-step plan for settling and resolving the tax debt as quickly as possible. Only after the tax consultant and taxpayer agree on the proposed step-by-step solution for resolving taxes are tax resolution fees discussed and presented for approval. **Again, taxpayers receiving a free tax debt review and tax resolution plan are under absolutely no obligation.**

Key Takeaways

1. Many consumers who owe the IRS back taxes often are reluctant to deal with the matter because they may be confused, afraid, or even intimidated by the IRS. The fact is, when consumers who owe a serious amount of tax debt contact the IRS directly, **they are likely to speak with a frontline collector whose sole responsibility it is to get information from the consumer in order to collect on the debt from the consumer as quickly as possible**—regardless of the taxpayer's situation, hardship, or extenuating circumstances.

2. **A free tax consultation can help consumers understand their taxpayer rights under the law.** Regardless of whether taxpayers choose to use the services of a tax relief professional, a tax case review, which is free of any obligation, can help to remove stress and provide a valuable overview of the legal tax debt relief options available.

3. It is important for consumers to understand that if you do owe back taxes to the IRS, **don't ignore the matter and face the pain of a bank levy, tax lien, or wage garnishment**.

4. **Either contact the IRS or IRS tax advocate service on your own, or a tax resolution specialist can work directly with the IRS on your behalf** to stop or prevent a wage garnish, tax lien, or levy, and resolve back taxes as quickly as possible.

Who Can Benefit... – Continues on next page

3. **Only If consumers agree to the tax debt resolution as presented are applicable contracts submitted to the taxpayer by digital document delivery, fax, or email.** In addition to applicable tax resolution agreements, the taxpayer then signs IRS form 8821 which allows the tax relief team to contact the IRS on behalf of the taxpayer, verify the tax debt amount, current status of the file, and whether a revenue officer has already been assigned to the taxpayer's case. With this information verified, a tax relief case review officer goes to work on behalf of the taxpayer to ensure that each client is fully informed with reasonable settlement expectations. The tax case review officer then works on behalf of the consumer to answer any additional questions prior to transferring the case to the tax resolution department that specializes in the unique type of resolution required. The resolution department then works directly with the IRS on behalf of the taxpayer – escalating the case with the IRS if necessary – in order to settle with the IRS and resolve the tax debt as quickly as possible.

Your Rights as a Taxpayer

The IRS published The Taxpayer Bill of Rights to make sure taxpayers know what they are entitled to, including the right to be informed, the right to quality service, the right to correct taxation, the right to appeal, the right to confidentiality, and more. It also provides information as it pertains to examination, appeal, collection, and refunds. This document ensures you know your rights, and it's good to read before you make any decisions about your specific tax situation.

How Much do Tax Relief Services Cost?

There are a variety of professional tax relief organizations and the fee structures that apply vary as noted below. While some tax professionals are thorough, reputable and do an outstanding job of helping taxpayers get relief from IRS tax debt, others collect exorbitant fees for simply "filing" IRS Offers in Compromise. In many cases, these offers should not have been filed in the first place, will not be accepted by the IRS, and may lead to additional fees being charged because the offer wasn't successful.

In addition to professional tax representation, there is a free IRS taxpayer advocate service (TAS) which may be able to help taxpayers resolve tax debt. The IRS states that The Taxpayer Advocate Service is an independent organization within the IRS and is your voice within the IRS.

Fees for Tax Relief Companies

Tax relief professionals charge fees for their services. The way they calculate and assess these fees vary widely by organization as noted below:

1. **Time-based tax professional fee structure:** These are fees charged by tax relief companies based on the time it takes them to represent a taxpayer and resolve a tax debtor's case with the IRS. Prior to engagement, these fees should be clearly understood as well as client goals and expectations.

2. **Tax liability or tax debt-based fee structure:** These are fees charged by companies that base their total fees according to the amount of tax debt a person owes to the IRS.

3. **Upfront fee structure:** Some tax relief organizations require that clients pay "flat fees" in advance of services.

Some tax relief organizations require that clients, prior to engagement, sign a contract and pay a fee prior to any casework being done. Others do not require a contract, which allows for work to start and stop at any time. Other companies use a contract that clearly states the services that will be provided, the flat fee that will be charged for those services, and the terms for paying the fees assessed.

Key Takeaways

If you owe a substantial tax debt to the IRS, haven't filed for one or more years, or are facing a garnishment, lien, or levy – you may want to seriously consider the services of tax relief professionals. However, before making your decision, make sure the company you choose has the following:

1. **A BBB A+ rating** and accreditation.

2. **A free tax debt consultation and case review** that allows the company to 100% verify your actual tax debt and any IRS documentation without charging any upfront fees whatsoever.

3. If they do propose to negotiate with the IRS and be given "power of attorney" – **make sure that you pre-approve any and all fees or fee structures and have clear expectations on the desired outcome.**

4. **Again, be wary if any company attempts to collect an upfront fee based on the promise of settling with the IRS for "pennies on the dollar."**

About IRS Collection Notices

Fact Sheet: IRS Collection Notices

The IRS utilizes a large number of different collection notices to communicate with taxpayers. The most common ones include the CP14-Preliminary IRS Collection Notice, CP49-Notice of Tax Refund Seizure, CP501-First Notice from Automated Collection System, CP503-Final before Notice of Intent to Levy, CP504-Notice of Intent to Levy and CP523-Notice of Installment Agreement Default.

Overview of IRS Collection Notices

The CP14 is a non-urgent notice advising the taxpayer of a past due tax debt, and the CP49 lets you know that the IRS is taking your tax refund for payment of prior taxes owed. The CP501 is really the first urgent notice. You can expect future notices to become more threatening like the CP503, CP504 and the CP523. The CP503 Final Notice of Intent to Levy lets the taxpayer know the seriousness of the situation and immediate action is required. It gets even more serious with the CP504 Notice of Intent to Levy. Once 30 days have elapsed, the IRS will seize property, such as bank accounts and wages. And with the CP523 Notice of Installment Agreement Default, the IRS can also seize property.

The Impact of Collection Notices on Taxpayers

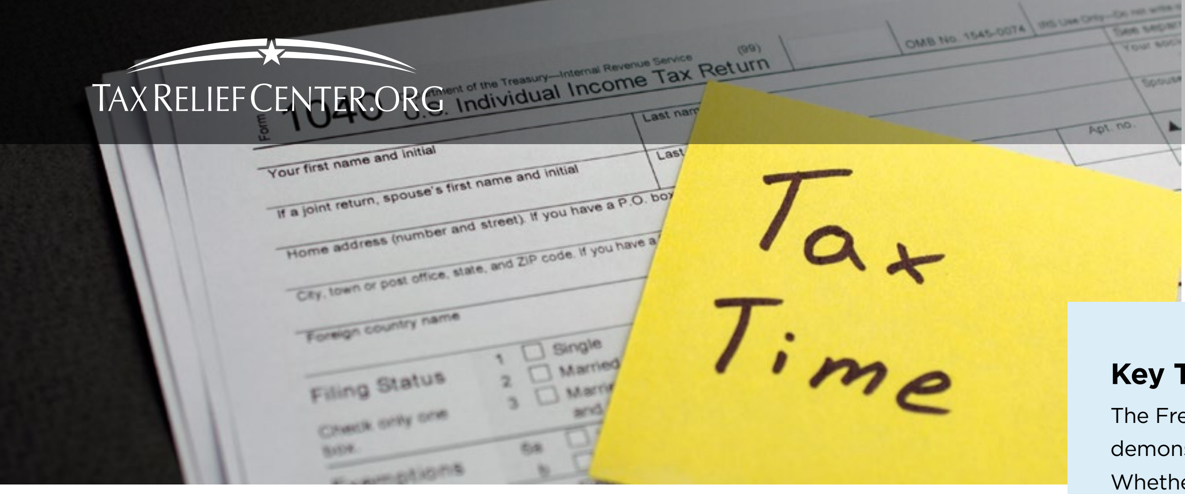
While collection notices from the IRS typically cause taxpayers some level of anxiety, **it's the CP504-Notice of Intent to Levy and the CP523-Notice of Installment Agreement Default that cause a higher level of anxiety.** That's because these notices permit the IRS to start proceedings to take cars, banks accounts, business assets, accounts receivable, real estate and wages. Other IRS collections notice may be urgent and important, but these two are the most threatening.

A Closer Look at IRS Collection Notices

The IRS may also send out a Demand for Payment Notice. This may arise if there's an outstanding balance from a prior year's return or a tax return was filed without full payment of the balance due. For example, the IRS may recalculate your income tax from a previous year and determine that you failed to report $400 of dividends from a mutual fund. You should review the notice in detail and any other IRC collection notice and respond that it's correct, partially correct or incorrect altogether while providing evident to support your position. Keep in mind that unpaid taxes will trigger the IRSs collection and enforcement process.

Key Takeaways

1. **Disregarding an IRS collection notice is never a good idea.** If you're unable to resolve an issue with your IRS notice, contact a tax consultant.
2. **These tax specialists act as your voice** and help taxpayers who have been unable to resolve IRS tax disputes using normal channels.



Key Takeaway

The Fresh Start Program is indeed a demonstration of leniency by the IRS. Whether you're an individual or business with tax problems, **it's a program worth looking into** when facing tax liens or considering the viability of Offers-In-Compromise (OICs) or IRS installment agreements.

IRS Fresh Start Program

The Fresh Start program is a new IRS program that makes it easier for individuals and businesses to resolve back taxes, avoid IRS tax liens, and take advantage of more favorable and lenient IRS policies regarding back taxes.

IRS Fresh Start Overview

There are **three important areas where the Fresh Start program directly can benefit taxpayers** – tax liens, installment agreements and offers in compromise (OIC).

Tax Liens and Fresh Start

The Fresh Start Program has increased the IRS Notice of Federal Tax Lien filing threshold from a minimum liability of $5,000 to $10,000. It is important to note that the Fresh Start Tax Lien modification is not retroactive, so the **IRS cannot automatically withdraw a lien that was filed prior to Fresh Start,** based on the previous rules.

Taxpayers should also be aware that an IRS tax lien may now be "withdrawn" AFTER entering into an installment agreement with a direct debit payment plan. Individuals and businesses have the right to apply for a lien withdrawal if the tax debt is $25,000 or less. The debt must be paid off within 5 years (60 months) or before the CSED (Collection Statute Expiration Date) expires – whichever occurs first.

IRS Installment Agreements and Fresh Start

Thanks to the Fresh Start Program, **it is now easier for taxpayers to qualify for a "streamlined" IRS installment agreement**. In September of 2016 the IRS began testing expanded criteria for streamlined processing of taxpayer requests. During this test, taxpayers with an assessed balance of tax, penalty and interest between $50,000 and $100,000 may experience accelerated processing of their installment agreement request. Based on test results, the expanded criteria for streamlined processing of installment agreement requests may be made permanent. While these "streamlined" agreements generally will NOT require a full financial statement, the IRS reports they may require "some financial information from the taxpayer." The payoff term maximum has been increased from 5 years to 6 years (72 months). Tax debt must be paid within the 72-month timeframe or prior to the Collection Statute Expiration Date (CSED), whichever comes first. The IRS reports that the "easiest way to apply for a payment plan is to use the Online Payment Agreement tool at IRS.gov. If you don't have Web access you may file Form 9465, Installment Agreement, to apply."

IRS Fresh Start Program – Continues on next page

IRS Offer-In-Compromise and Fresh Start

Fresh Start makes it easier for taxpayers to qualify for Offer-in-Compromise (OIC) and Fresh Start has also brought more leniency and flexibility to the way the IRS calculates a taxpayer's ability to pay as the IRS reviews and evaluates the IRS settlement application. Here are some keys to understand regarding the Fresh Start Offer-in-Compromise Program:

- To qualify, the **IRS will evaluate your income, expenses, assets, and ability to pay**
- The taxpayer **must be current on tax return filings and payments**
- The taxpayer **cannot be in an open bankruptcy**
- The offer **must be paid** in one of the following ways:

    Lump sum cash payments, with the first payment being 20% of the offer, with the remaining balance, upon acceptance, paid in five payments or less.

    Payment over extended period: Your first payment is paid with your application AND the taxpayer must continue paying monthly while the application is being considered, with the remaining, upon acceptance, paid out over a period of 24 months.

- If the Offer-in-Compromise is not accepted, payments made toward the OIC will not be refunded, but applied to the tax debt previously assessed.

What the IRS Says about Offer-in-Compromise

- The IRS states that "Generally, the IRS will accept an offer if it represents the most the agency can expect to collect within a reasonable period of time."
- "The IRS will not accept an offer if it believes that the taxpayer can pay the amount owed in full as a lump sum or through a payment agreement."
- "The IRS looks at several factors, including the taxpayer's income and assets, to make a decision regarding the taxpayer's ability to pay."
- "Use the Offer in Compromise Pre-Qualifier tool on IRS.gov to see if you may be eligible for an OIC."

A Closer Look at the Fresh Start Program

The Fresh Start Program is a positive taxpayer-friendly program instituted by the IRS to give struggling taxpayers a "Fresh Start". It was clearly designed to provide some breathing room for those facing tax problems. However, while some rules and thresholds have been relaxed, these stipulations are still challenging and somewhat complex. This means that, for any business or individual owing a serious amount of back taxes ($10,000 or more) – or facing tax liens, tax levies, wage garnishment, it may be wise to consider the services of an enrolled tax agent or tax attorney who can advise on the best course of action.

How to Negotiate with the IRS

It's important to understand that, **when you contact the IRS directly, you are likely communicating with a frontline collector whose sole task is simply to collect on a tax debt – not negotiate a favorable resolution on your behalf.** That being said, there are some key behaviors and tactics that can go a long way towards helping taxpayers reach the most favorable outcomes.

Tips for Negotiating with the IRS

- **Be civil, not confrontational.** With budget cuts, IRS customer service is stretched very thin and overwhelmed. Many taxpayers are frustrated and angry, but if you have a positive mindset and treat the IRS representative with a measure of humanity and respect – you are more likely to have an understanding representative on the other end.

- **If you do encounter a rude or threatening representative or feel you are "in over your head" – terminate the conversation,** let them know you will be consulting with representation, or at the very least, request to speak with a different agent, or manager.

- **Use IRS terminology when requesting consideration.** If you didn't file or comply with a request, hopefully you can say it was for "reasonable cause" – or don't say I want to "get rid of penalties", rather request to have penalties "abated"

- **Be honest, be brief, and tell the truth.** IRS representatives are skilled at sensing evasiveness and deception and this is only likely to escalate your IRS issue.

- **When it comes to satisfying your IRS tax debt, don't overpromise** and put yourself in an impossible financial position just to "ease the pain" for the moment.

- **If you do fail to live up to an agreement, contact the IRS before they come after you**. By being proactive, you are setting the stage for a cooperative environment, not a punitive one.

- **Don't talk too much!** If you have a serious amount of tax debt or haven't filed for one or more years – it is smart to consult with a tax professional to understand your legal rights and options and what you are required, and not required, to disclose.

Key Takeaways

1. While taxpayers may often hear advertisements regarding settling with the IRS for "pennies on the dollar" this is very rare. If you do owe a substantial amount of back taxes, **it is wise to consult with an experienced and reputable tax professional** who can advise you of your taxpayer rights and options.

2. If you're encouraged that, by filing an Offer in Compromise, it will be easy to reach a quick settlement, think again. **The vast majority of OICs are not accepted** and by voluntarily disclosing financial information you may not be otherwise legally bound to disclose, you could be putting your financial future at greater risk.

IRS Installment Agreement

When paying an entire tax debt all at once is not possible, **the IRS allows taxpayers to pay off the tax debt through an installment agreement.** Penalties and interest on an installment agreement can equal 8% to 10% each year. The IRS **offers four different types of installment agreements:** guaranteed, streamlined, partial payment and non-streamlined.

Overview of the IRS Installment Agreement

There are differences in the criteria for eligibility for each type of installment agreement. For example, to qualify for the guaranteed installment, taxpayers must owe less than $10,000, and in September of 2016 the IRS began testing expanded criteria for streamlined processing of taxpayer requests. During this test, taxpayers with an assessed balance of tax, penalty and interest between $50,000 and $100,000 may experience accelerated processing of their installment agreement request. Based on test results, the expanded criteria for streamlined processing of installment agreement requests may be made permanent. Under both of these installment agreements, the IRS does not file a tax lien against the taxpayer. Taxpayers are required participate in a financial review every two years in a partial payment installment agreement, which may result in termination of the agreement or an increase in monthly payments. The non-streamlined installment agreement is an option for those with tax debt over $25,000. If you do owe more than $25,000, you may first want to consult a tax professional to see if you can be considered "currently not collectible" or possibly eligible for an offer in compromise.

Three Important Points Related to IRS Installment Agreements

The IRS can revoke an installment agreement when:

1. The taxpayer misses a monthly payment
2. The taxpayer provided inaccurate information on Form 433-F
3. The taxpayer fails to pay taxes after entering into the agreement, or the taxpayer does not file a tax return

A Closer Look at the IRS Installment Agreements

The IRS will be requesting information from a taxpayer about their income, assets, debts, bank accounts and living expenses when applying for an installment agreement. **If some of provided information is untruthful or inaccurate, the application may be denied.** Accuracy and honestly are key here. It takes approximately 30 days or more for the IRS to process a request for an installment agreement. In the interim, the IRS is not permitted to take any collection actions against you.

Key Takeaway

If you enter into an installment agreement, with the IRS, you are bound to pay according to terms – or the agreement can be revoked, and IRS penalties and interest can mushroom out of control. So, **if your tax debt is substantial, consider getting a free evaluation from a BBB accredited tax relief organization who can determine if an installment agreement is truly your best course of action** – or if currently not collectible or offer in compromise might be a better course of action considering your current income and circumstances.

IRS Offer in Compromise

An offer in compromise (OIC) is an agreement between the taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. The IRS considers a number of factors and circumstances when considering an OIC -- including the individual's ability to pay the tax within the statute of limitations, which is ten years.

Key Takeaway

When applying for an OIC, the government expects you to provide the realizable value of your monetary assets, such as investments, cash and life insurance cash value along with the realizable value of your non-monetary assets, such as cars, real property and personal assets. Rough approximations will not satisfy the IRS. **The information that you provide on the OIC application must be honest, complete and accurate and, even if your offer in compromise is rejected, be aware that the information you submit can still be used by the IRS if it chooses to escalate collection efforts against you.**

Offer-in-Compromise Overview

An Offer in Compromise allows you to settle your tax debt for less than the total amount you owe. It may be a viable option if you can't pay your full tax liability, or if you were to pay in full would create a financial hardship. The IRS will consider your unique set of personal and family circumstances including ability to pay, income, expenses, and asset equity. The IRS states that it will "generally approve an offer in compromise when the amount offered represents the most we can expect to collect within a reasonable period of time."

The IRS Pre-Qualifier

The IRS has an Offer in Compromise Pre-Qualifier to determine eligibility:

- You must not be in an open bankruptcy proceeding.
- You must have filed all federal tax returns.
- You must have made all required estimated tax payments.
- If you are self-employed and have employees, you must have submitted all required federal tax deposits.

A Closer Look at the OIC

There are benefits to filing for an OIC. If the offer is accepted, enforced collection will be eliminated and tax liens will be removed. However, even with the new IRS Fresh Start Initiative, **the majority of offers are not accepted, so it's wise to consider using a tax relief specialist, or tax attorney when filing an OIC.** Even if you do use the services of a tax professional, check their credentials, BBB accreditation and reputation carefully as there are unscrupulous companies who charge high fees for "filing" offers in compromise that have little chance of being accepted and should never have been filed in the first place.

IRS Penalty Abatement

When a taxpayer disputes interest and penalties that have been assessed by the IRS, the IRS may remove the penalties and interest under the IRS Penalty Abatement program. Some or all of the penalties may be removed if the individual filing for penalty abatement can **prove one of the following reasons:**

- Reasonable cause
- Mistake by the IRS
- Administrative waiver for first time abatement (FTA)

Filing a Penalty Abatement Request

If taxpayers meet the criteria for penalty abatement, they will have to complete and submit several documents to the IRS to prove that they meet requirements. **The taxpayer has three ways to plead their case with the IRS: verbal, written, or via IRS form 843**. Regardless of which method is used, taxpayers will have to provide good detail and background on why the taxes weren't paid.

Understanding the First Time Abatement (FTA) Program

To provide penalty relief to taxpayers who have otherwise been compliant for more than three years, the IRS created the First Time Abate (FTA) program. While this program has been in place since 2001, taxpayers aren't always aware of, or informed of, this relief provision. For example, the Treasury Inspector General for Tax Administration reports that the IRS failed to inform 1.45 million taxpayers that they were eligible for this relief. This oversight resulted in the IRS collecting $181 million in penalties that might have been waived.

In Communicating with the IRS for Penalty Abatement

1. Call the phone number on the letter that assessed the penalty.
2. You will likely be asked to write a letter explaining the situation/request.
3. Request an "abatement" due to reasonable cause or via the First Time Abate provision.
4. If requesting relief through reasonable cause, clearly state your case for being non-compliant.
5. If you are able to prove reasonable cause, do not use the FTA option as this can be exercised in a future year if you are a compliant taxpayer.

Key Takeaway

The IRS does not routinely grant requests for penalty abatement, but **if you have been tax compliant for more than three years you can get relief via the FTA program,** or better still, you may be able to prove reasonable cause to if a situation beyond your control led to non-compliance (i.e. loss of a job, illness, loss of home, spouse left thus a reduction in income)

Key Takeaway

Taxpayers who owe more than $10,000 can avoid federal tax lien. The most effective way to avoid a tax lien is to enter into a streamlined installment agreement to pay the full balance or to request an extension of time to pay for up to 120 days.

IRS Lien

A federal tax lien is the government's legal claim against your property when you neglect to pay your tax debt. It's a lien that protects the government's interest in all of your property, including personal property, real estate and financial assets. A federal tax lien is placed after the IRS sends a taxpayer a Notice and Demand for Payment, and the taxpayer either refuses or neglects to fully pay the debt in time.

Overview of an IRS Lien

IRS liens affect taxpayers in a variety of ways. The lien attaches to all assets, including securities, vehicles, property and to future assets acquired. Once the IRS has filed a Notice of Federal Tax Lien, it may also limit the ability to attain credit. For businesses, the lien attaches to all business property and accounts receivable. Even if a taxpayer files for bankruptcy, the Notice of Federal Tax Lien generally continues.

IRS Pre-Qualifier to Reduce the Impact of a Lien

While paying off tax debt is the best way to get rid of an IRS lien, there are other options for reducing the impact of the lien.

- **Discharge of Property** – A discharge removes the lien from specific property, but there are several IRS provisions to determine eligibility. After filling out IRS Form 14135, IRS advisory staff will review all of the information to determine whether a certificate of discharge should be issued. A discharge of property may be issued when the value of the taxpayer's property is equal to at least twice the amount of the federal tax liability, tax liability is partially satisfied, the property has no value, or the property is sold with proceeds paid to satisfy the tax lien.

- **Subordination** – Subordination puts junior creditors ahead of the IRS for specific property. It does not remove the federal tax lien, but it does allow for other creditors to get their monies first. The IRS will do this when it is necessary to attain other creditor's approval for a sale of the property. For example, a bank holds a lien with mortgaged properties. The IRS subordinates its lien, and the bank gets paid first. Then, the IRS gets the remainder.

- **Withdrawal** – Withdrawal removes the public Notice of Federal Tax Lien and confirms that the IRS will not compete with other creditors for the property. Taxpayers who are approved for a Direct Installment Plan Agreement are typically eligible for a withdrawal. A withdrawal does not eliminate tax debt, and taxpayers are still liable for the tax amount due. IRS Form 668(Y) needs to be filed for a withdrawal.

A Closer Look at IRS Liens

Getting rid of an IRS lien is a complicated process. Seeking the help of an independent tax attorney or experienced tax consultant is a wise move to ensure that it's in your best interests. If you receive a Notice of Federal Tax Lien, don't ignore it. Contact the IRS immediately. A mistake may have been made or there may be mitigating circumstances in order to appeal the tax lien.

Key Takeaway

It is very important to understand how wage garnishments work to ensure that you take the right action to avoid or stop the IRS from taking your wages. It's a complex process, and it's best handled with the help of a tax relief professional.

IRS Wage Garnishment

IRS wage garnishment is the legal deduction of money from an employee's salary resulting from unpaid IRS taxes. It is one of the IRSs most aggressive tax collection mechanisms and needs to be taken seriously. Unlike other levies, it has a continuous effect on taxpayer's wages and attaches to future payments until the levy is released. Salaries and wages include bonuses, commissions and other paid fees.

An Overview of Wage Garnishment

The IRS has their own limits for wage garnishment. It bases the amount on your standard deduction amount and how many dependents you have. It is not uncommon for the IRS to garnish 70 percent or more of an employee's wages. **This harsh amount is to convince the person to resolve the debt.** The IRS will send out several payment notices in the mail and may even call if you owe back taxes. Failure to respond will result in a Notice of Intent to Levy being sent. You have 30 days to respond to this notice. If you don't contact the IRS, they will forward the notice to your employer. Your employer is required to adhere to the garnishment order by the IRS.

The IRS Pre-Qualifier to Stop Wage Garnishment

Once a wage garnishment is in place, there are basically three ways to release it.

- **IRS Wage Garnishment Release** – You can obtain an IRS Wage Garnishment Release by paying the back taxes owned or arranging a payment plan with the IRS. Payment plans work well when don't have available funds to pay the tax debt. Depending on the amount of the debt, the IRS may require financial statements to arrange a payment plan.

- **Offer of Compromise** – This option works well when you're simply unable to pay back taxes due to a job loss or medical bills. The Offer of Compromise settlement agreement is one where you pay the IRS a smaller amount of what's actually owned and get full release from the tax liability.

- **Financial Hardship** – The federal tax code obligates the IRS to leave a sufficient amount for taxpayers to pay for necessities and basic living expenses. You can stop wage garnishment by proving financial hardship through shut-off notices, large family size, mortgage-due statements and bank accounts. If the IRS accepts your proof, wage garnishment will stop immediately.

A Closer Look at IRS Wage Garnishment

Taxpayers may request a Collection Due Process Hearing with the Office of Appeals to review their case. The hearing officer will consider many factors in determining how to proceed, reduce or terminate the garnishment. Considered factors include procedural errors, prior payments, statute of limitations and bankruptcy.

Key Takeaway

While there are many choices to stop an IRS levy, the one you choose to use should be determined by your financial well-being and tax situation. It's important to find the best solution for your individual situation.

IRS Levy

An IRS levy allows for the legal seizure of taxpayer property to satisfy a tax debt. It can seize or sell personal property, **such as cars and real estate, garnish wages and take money from your bank account.** While a lien is a legal claim against property to secure tax debt payment, an IRS levy actually takes the property.

Overview of an IRS Levy

The IRS will levy after three requirements are met.

- It has sent you a Notice and Demand for Payment.
- You've neglected to pay the tax bill.
- The IRS has sent a Final Notice of Intent to Levy and Notice of Your Right to a Hearing.

This notice may be left at your home, place of business or in person. When taxes go unpaid or arrangements to settle the tax debt aren't made, an IRS levy is the next step the IRS takes. Not only can the IRS levy property that is yours, but property that is held by others, such as rental income, accounts receivables, wages, retirement accounts, cash value of life insurance policies and commissions.

IRS Pre-Qualifier to Stop an IRS Levy

There are several options to stop an IRS levy:

- **Collection Due Process Hearing** – a Collection Due Process hearing with the IRS can be requested before the bank levy process begins. During the hearing, it is possible to persuade the IRS that a bank level should not be issued. Various reasons for the argument against a bank levy include a procedural error in the tax assessment, the tax was assessed while you were in bankruptcy proceedings or the collection statute expiration date for a particular year has expired.
- **Financial Hardship** – Another option to avoid an IRS bank level is to have back taxes declared uncollectible due to financial hardship. Individual taxpayers will need to prepare IRS Form 433-A, and businesses will have to fill out IRS Form 433-B in order to receive uncollectible status with the IRS.
- **Repayment Plans and Offer in Compromise** – The most common way to avoid an IRS bank levy is to set up a monthly repayment plan with the IRS. Over time, you can repay the back taxes and stay in good standing with the IRS. An Offer in Compromise is another solution to avoid an IRS levy. Eligible taxpayers can settle their tax debts for less than the total amount owe with an Offer in Compromise.

A Closer Look at an IRS Levy

If you're at risk of an IRS levy, it's critical to take action immediately. An IRS levy is a harsh IRS collection mechanism that can severely impact anyone financially. The IRS will not impose a levy if you cooperate. It is highly recommended to hire a tax relief professional to help resolve the problem. These professionals can act quickly and have an in-depth knowledge of the ins and outs of the IRS.

Key Takeaway

Don't think the statute of limitations offers protection if you haven't filed taxes in a timely manner, because the 10-year clock does not begin ticking until you file taxes. If you are owed a refund and do not file, you forfeit your refund if you do not file within the three-year timeframe.

IRS—Statute of Limitations

Statute of Limitations on IRS Tax Assessment

The IRS has three years from the date a taxpayer's return is filed to assess the tax. Typically, when a return is filed, the assessment occurs within a month. However, an additional assessment can be made if a return is later audited – which could be within several years of filing. Overall, there is typically an open audit timeframe of three years and the IRS will not go back further unless they discover a serious error. **Note: The statute of limitations does not apply in cases of falsified or fraudulent returns.**

Statute of Limitations on Claiming Refunds

The three-year statute timeframe also applies to taxpayer refunds owed. For example, let's assume you neglected to file your 2010 income tax until a month ago. After filing, you were entitled to a substantial refund. Unfortunately, you will not receive the refund, nor will it be applied to any balances owed the IRS. To get your refund, you would've had to file your 2010 return by April 15, 2014.

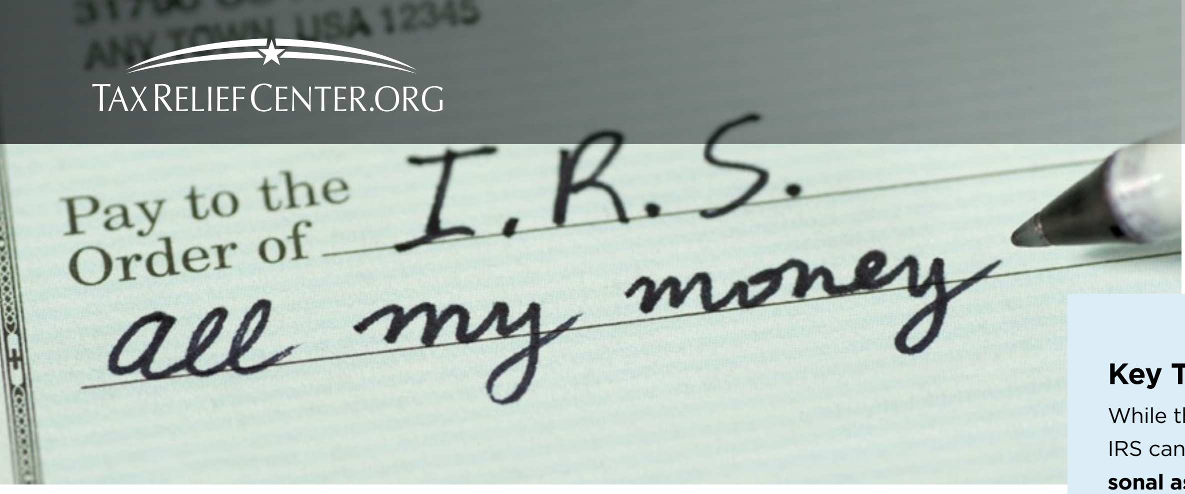
Statute of Limitations on IRS Collections

Regarding the statute of limitations on IRS collections, the agency has 10 years from the date of assessment to collect tax liabilities generated by a tax return. So, if you filed your 2014 return in a timely manner (April 15, 2015), the statute of limitations on collections will expire in 2025. However, if you file your 2014 return in 2017, the IRS can take collection actions until 2027.

Statute of Limitations – Payroll Taxes-Civil Penalty

There is a 10-year statute of limitations for civil penalties assessed on payroll taxes. Failure to pay payroll withholding and tax liabilities is a serious violation and can result in a penalty of 100% so be very careful to make payroll taxes disbursements as required.

TaxReliefCenter.org



What the IRS Cannot Seize

There are a number of assets that are exempt from seizure by the IRS:

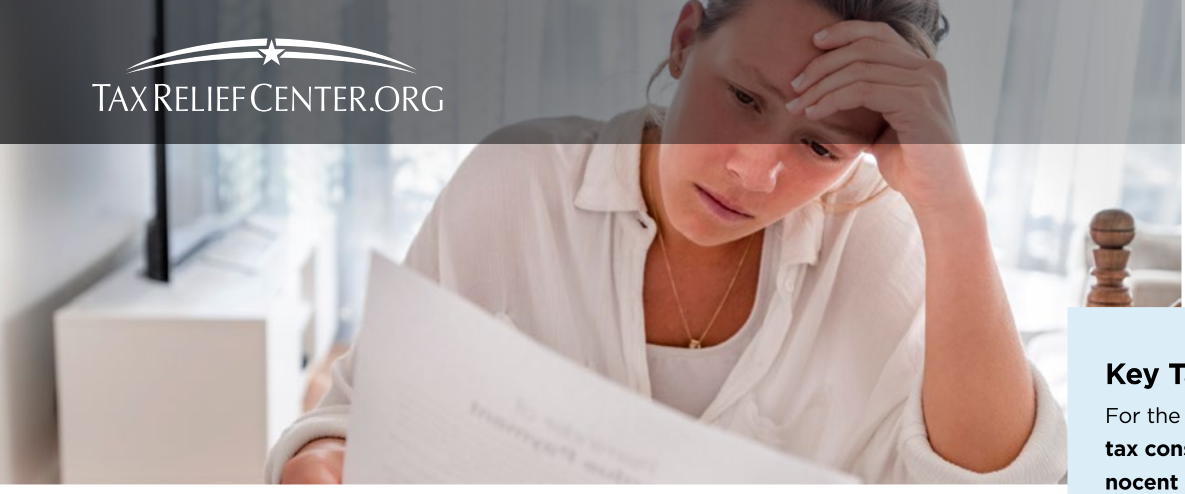
- Unemployment, and certain pension and annuity, benefits
- Specific service-connected disability payments
- Worker's compensation
- Limited public assistance payments
- Minimum weekly exempt income
- Assistance under the Job Training Partnership Act
- Income for court-ordered child support payments
- Schoolbooks and clothing
- Undelivered mail
- Certain amounts worth of fuel
- Provisions
- Furniture and personal effects for a household
- Designated amounts worth of books and tools for trade, business, or professions

The IRS also notes that it actually can't seize property unless it expects the net proceeds to help pay off a person's tax debt. But that's where the exemptions end.

The biggest components of a person's livelihood, like their earnings, bank account and property, are all fair game for IRS seizure after failure to pay taxes. The lesson? **File your taxes honestly and on time, and don't hesitate to seek help if you're in financial trouble and unable to pay them.** The agency encourages calling 1-800-829-1040, visiting a local IRS office to speak with a representative in person, or visiting www.irs.gov.

Key Takeaway

While there are certain assets that the IRS cannot seize, **many of your personal assets, including property, can be seized by the IRS if you owe back taxes.**



Key Take Away

For the best results, **it's wise to use a tax consultant when applying for innocent spouse relief or injured spouse allocation.** This specialist can also assist you if the IRS rejects your claim. They can help prepare the evidence for you, which will be reviewed in the U.S. Tax Court should you decide to appeal.

IRS Innocent Spouse and Injured Spouse Allocation

Under federal law, if a joint income tax return signed by both husband and wife is filed, both spouses are 100 percent responsible for taxes owed. However, there is a narrow exception to this rule known as innocent spouse relief. This exception allows the IRS to release a spouse from direct financial liability for unpaid taxes. An injured spouse allocation can be given when you file a joint return and your money is applied to your spouse's past tax debts or other debts like child support. This means that you may be able to get your share of that money back.

Overview of IRS Innocent Spouse Relief and Injured Spouse Allocation

The IRS realizes that are some situations in which a spouse cannot be held responsible for tax mistakes attributed to the other spouse. At the same time, **innocent spouse relief is tough to obtain and granted on a case-by-case basis.** No one factor determines whether or not innocent spouse relief is granted. The IRS will conduct an evaluation of the spouse's relationship status, mental disabilities, education and level of involvement in the household finances. Being divorced or being in the process of a divorce can work in favor of the wronged spouse. **Simply stating that your spouse lied to you is not sufficient to obtain innocent spouse relief.** If you had suspect or reason to know about the inaccurate tax return, you will not qualify for innocent spouse relief. **To apply for innocent spouse relief, IRS Form 8857 must be filed.** To apply for an injured spouse allocation, IRS Form 8379 must be filed.

The IRS Pre-Qualifier for Innocent Spouse Relief

Y**ou must meet the following criteria to qualify for innocent spouse relief:**

- The joint return has an **understatement of tax deficiency that is solely attributed to your spouse's erroneous item.** Erroneous items include omitted income, incorrect deductions, incorrect property basis and incorrect tax credits.
- Y**ou establish that fact that you did not know** or have reason to know that there was an understatement of tax.
- Taking into account the circumstance and all of the facts, **it would be unfair to hold you liable for the incorrect joint tax return.**

To qualify for injured spouse allocation, you must:

- Not be personally required to pay the past-due debt.
- During the year in question, you had earned income reported on Form 1040, made estimated tax payments or had income taxes withheld from your pay.

A Closer Look at Innocent Spouse Relief and Injured Spouse Allocation

If you do not meet the requirements for innocent spouse relief, you may still qualify for another type of tax relief for innocent spouses. The IRS will determine which one you qualify for. Under IRS guidelines issues in 2012 for innocent spouse relief, **there is no longer a time limit for claims.** If you didn't request relief for previous year due to the old two-year limit, you can now make a request. Plus, if a previous claim was rejected due to the time limit, you can now make a new request. For injured spouse allocation, the IRS uses each state's rules to determine the amount.

Key Takeaway

The Taxpayer Advocate Service is truly there to help taxpayers. **And for those with complex tax disputes, the service can be used in conjunction with the help of a tax professional.** Both are excellent resources when you can't resolve IRS problems on your own.

Taxpayer Advocate Service

The Taxpayer Advocate Service is an independent organization, which is not under the oversight of the IRS but Congress. Congress created the Taxpayer Advocate Service to help taxpayers. There is at least one local Taxpayer Advocate Service office in every state. Taxpayers can call this service locally or toll-free at 877-777-4778. The Taxpayer Advocate Service is your voice at the IRS. It helps taxpayers whose problems are causing financial difficulty and provides an advocate for both businesses and individuals.

An Overview of the Taxpayer Advocate Service

The Taxpayer Advocate Service is there to help taxpayers who are facing financial problems, immediate threat of adverse IRS action, those who have not gotten a response from the IRS and when the IRS hasn't responded by the date promised. Taxpayers can also report systemic problems to the Taxpayer Advocate Service, such as issues involving IRS systems, policies and procedures. Its job is to ensure that every taxpayer is treated fairly and understands their rights.

Contacting the Taxpayer Advocate Service

When you call the Taxpayer Advocate Service for help, be sure you are prepared with the following information:

- Your employer identification number (EIN) or your social security number (SSN)
- The tax year and type of tax return involved
- A detailed description of your tax problem
- Information about your previous attempts with the IRS to resolve the problem

Your local taxpayer advocate will identify themselves by name and their IRS number. **Be sure to write down this information for your records just in case you need to follow up later.**

A Closer Look at the Taxpayer Advocate Service

The Taxpayer Advocate Service not only works with taxpayers but with tax professionals. It provides a variety of information on tax law updates, guidance and ways to let the service know about systemic problems seen in tax practices. Every year, the Taxpayer Advocate Service submits two reports to Congress with no review from the IRS Oversight Board. **Its annual report includes an analysis of at least 20 of the most serious problems encountered by taxpayers and makes administrative recommendations for solving those issues.**

For Taxpayers Affected by COVID-19

On November 2, 2020, the IRS has announced a number of options designed to help struggling taxpayers impacted by COVID-19 more easily settle their tax debts. You can view details of the announcement at www.irs.gov/newsroom/.

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