How Much Notice Does The IRS Have To Give Me Before They Take My Property?
Can The IRS Seize My Bank Accounts And Other Assets?
By Attorney Tony Ramos

How much time do I have before the IRS can seize my assets?

Before the IRS can take any of your assets like your bank account and a sizeable portion of your wages, the IRS must send you a series of collection notices. Here are the notices the IRS will send you to collect past due taxes, penalties and interest.

1. "Request For Payment" (CP 14): This notice tells you the balance that is due.
2. "Reminder of Unpaid Tax" (CP 501): This notice reminds you of the balance due.
3. "IMPORTANT! Immediate action is required" (CP 503): This notice is the second reminder of the balance due.
4. "Notice Of Intent to seize (levy) your property or rights to property" (CP 504): This is your final notice of amount due.
5. "Notice of Intent to Levy" (any of these: CP 90/297, CP 92/242, LT 11, or Letter 1058): This is your final notice of IRS intent to seize assets and your right to a hearing.

While you should take each notice seriously, you have time to plan what you can do with the advice of a knowledgeable attorney. It can take several months for the IRS to send you all of these notices since the IRS waits about five (5) weeks for the next notice to be sent. Once you get the first notice, CP 14, the IRS will send subsequent notices about 5 weeks apart so that it will take about 4 months (20 weeks) from CP 14 to CP 90 (or other notices/letter listed above).

The first four notices are important but do not authorize the IRS to seize your assets (except for limited purposes such as state tax refunds after CP 504 is issued). Ask a knowledgeable attorney to determine if these apply to your case. The first notice authorizes the IRS to file a federal tax lien in the public records.

Although rare, there are some high dollars cases where the IRS is authorized to go straight to the final notice without other notices. These include a) when the IRS has reason to believe your actions make collecting the tax in jeopardy such as moving assets outside the country or being transferred to third parties; b) immediate seizure of a state tax refund you are entitle to; and c) when an employer repeatedly fails to pay over to the IRS employee tax withholdings.

The final notice, CP 90 (or others), gives the IRS the right to seize some of your assets, commonly your bank account or a sizeable portion of your wages. Even after the IRS sends this final notice, you have 30 days from the date IRS sent you the letter, CP 90, before they can initiate the levy action.

It is during this 30 day window that you or your attorney can stop IRS collection efforts and give you time to negotiate a settlement offer with the IRS. Alternatively you have the right to request a Collection Due

Process (CDP) hearing with an IRS appeals officer. This will stop the IRS from taking any of your property until the appeal is completed which usually takes 3 to 6 months.

This CDP procedure will give you time to think through and plan an offer to settle your tax debt. Various options to settle your tax debt are described in my free report "How to Settle Your Tax Debt, Sometimes for Much Less Than You Owe!" As the title of this report states, sometimes you can negotiate to pay less than what is legally owed.

Bankruptcy is sometimes a possible alternative that a taxpayer can take to stop IRS collection efforts. A knowledgeable tax resolution attorney can give you general guidance about this remedy and refer you to a bankruptcy attorney if you want consider this step.

What assets can the IRS seize?

As a practical matter the IRS normally seizes property that is more easily turned into cash quickly.

Rarely does the IRS seize your car, furniture and your home. Very often these assets don't have sufficient equity to go after them. Even when there is equity in the asset, often the seizure action by the IRS requires managerial approval and the use of a specialist.

For this reason, and because the IRS prefers to go after assets that are easily convertible to cash, the property that the IRS normally seizes is bank accounts and wages.

In the case of your home, a court order is required before the IRS can seize it and is rarely done. Also, the IRS does not usually go after your IRA even though it is subject to seizure as well. Consult with a knowledgeable tax resolution attorney to assess the probability that the IRS will go after your IRA.

According to IRS statistics for 2011, the IRS made 776 seizures of real and personal property such as houses, cars, household goods and equipment. In the same year the IRS levied 3,748,884 more liquid assets such as bank accounts and wages. You can see that the IRS overwhelmingly seized the more liquid assets as opposed to assets such as your home and other property not easily converted to cash.

Additionally, there are exemptions that the IRS has to respect and not allowed to seize for tax debt. Some examples of property that are protected from IRS collection actions include: necessary clothing, household goods and furnishings, tools of the trade. Some protected property has limits on their value beyond which the IRS can seize.

Also, sources of income exempt from IRS seizure include unemployment benefits, worker's compensation benefits, income required for court ordered child support, supplemental social security for the aged, blind or disabled and state and local assistance or welfare programs based on need or income.

Some income protections listed above are technically subject to a levy up to 15% of benefits but IRS current policy does not authorize this seizure action.

Summary

Before the IRS can seize any of your assets you are entitled to the notices described above. In the normal case the notices are space about five weeks apart. This gives you about four months' notice before the IRS can legally seize your property.

The type of property that the IRS is most likely to seize includes your bank account and your wages. While other assets are subject to seizure the IRS normally goes after more liquid assets.

After you receive the final notice, Notice of Intent to Levy, you have 30 days from the date of the notice to stop collection efforts. I highly recommend you do not try to negotiate with the IRS on your own. Tax laws and procedures are very complex and can result in serious negative consequences to you if not properly handled.

Remember this is not legal advice but a general description of IRS collection notices and what assets may be subject to seizure by the IRS to satisfy tax debt. Seek the counsel of a competent tax resolution attorney for your specific case.

You can get more information from attorney Tony Ramos at The Law Office of Tony Ramos PC at his website TonyRamosLaw.com.

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