

7 Ways To Settle Your IRS Debt Now, Sometimes For Much Less Than What You Owe

Don't Panic When The IRS Threatens To Levy Your Bank Account

By Attorney Tony Ramos

The IRS has several very powerful ways to collect taxes. And they use them all the time because they intimidate taxpayers to pay.

If The IRS is about to levy your bank account, or worse, don't panic! "Worse" includes the IRS taking your home, which can sometimes happen. Here's why you should not panic if you owe more than you can possibly afford: **it doesn't matter how much you owe.** You can settle your tax debt based on what you can afford to pay over a certain amount of time that the law requires. This is what gives you the hope of a reasonable solution.

Even though the IRS can seize assets, including your bank account or garnish your wages, you also have rights that can be very effective to settle your tax debt. If you don't defend yourself the IRS will run right over you and take more of what the law allows you to keep. Most of the time you have to pay some amount but ...

Here is the good news. The law gives you several ways to settle your IRS tax debt other than the often very severe ways IRS often does to collect. You might even qualify to pay substantially less than what you owe.

Here are 7 ways you might be able to do that, often for quite a bit less than what you owe! **Remember this is not legal advice but a general description of available ways to settle your IRS tax debt. Seek the counsel of a competent tax resolution attorney.**

1. **Time Runs Out For The IRS ("Statute of Limitations")**. The IRS only has 10 years from the date of "assessment" to collect taxes. Assessment is the recording of what you legally owe according to the IRS. This usually happens shortly after you file your tax return. Make sure that you still have to pay because sometimes the IRS does not get around to collecting on time. If you have a copy of the notice of a federal tax lien, the date when the 10 year collection period expires is disclosed and easy to find.
2. **Convince The IRS You Can't Pay Anything Right Now ("Currently Not Collectible Status")**. Sometimes the IRS voluntarily agrees not to try to collect on the tax debt for a year or so. After a period of time they review your situation to see if you can start paying something. You will have to provide financial information to convince the IRS but the benefit will be a period of no payments during which the 10 year time clock for collection continues to run.

3. **Get A Payment Plan (“Installment Agreement”)**: When you can pay all of your tax debt, but not right away, one of the ways to settle your IRS tax debt is the Installment agreement (IA). In this type of agreement the IRS allows you to pay off your tax debt, including penalties and interest, on an installment basis and the amount to be paid are based on your ability to pay.

The IRS will allow an Installment Agreement if you can demonstrate that you can't pay your taxes in full right away and you convince them that you cannot obtain a loan to pay the debt off.

The time allowed for payments on an installment agreement is often up to 72 months (sometimes more) if you can pay in full over that time period. Unfortunately, during the period, interest and penalties are still charged. Therefore, the longer time you take in making your installments the more penalties and interest you have to pay.

4. **Other Payment Plans Available (besides the Standard Installment Agreement)**.

Guaranteed Installment Agreement: This is the easiest Installment Agreement to get. You don't even need to negotiate with IRS to take advantage of this type of IA. It is “Guaranteed” if you meet the requirements below:

- You owe \$10,000 or less, not counting penalties and interest;
- You are not able to pay the debt when due;
- For the last 5 years you filed tax returns on time and paid them on time;
- You cannot have another IRS Installment Agreement in effect;
- You cannot be in bankruptcy or have an Offer in Compromise accepted; and
- You have a 3 year period to pay off the tax liability.

A federal tax lien will not be filed by the IRS against you.

Partial Payment Installment Agreement: In this form of Installment Agreement

- You are allowed to pay less than the total amount owed over an agreed period of time;
- You must demonstrate you can't fully pay as under a normal Installment Agreement;
- You must demonstrate you can't fully pay before expiration of the 10 year collection period;
- All prior year tax returns must be filed and taxes paid;
- You cannot be in bankruptcy or have had an Offer in Compromise accepted;
- You have to complete a financial statement using the IRS Form 433-A, B or F, which deals with reporting of income, living expenses, assets and liabilities; and
- The IRS will review your financial condition every two years to determine if you can pay more.

Streamlined Installment Agreement: To qualify for this type of Installment Agreement you must meet following conditions:

- You owe the IRS \$50,000 or less, including penalties and interest;
- Usually does not require verification of financial assets, expenses and income (IRS Form 433);

You can take up to 72 months to pay unless the IRS collection period (Statute of Limitations) is sooner;

Payments must be paid using direct debit from a bank account;

All tax returns must have been filed;

You have not entered into a previous Installment Agreement in the last 5 years;

For businesses the amount is \$25,000 or less;

For businesses that owe for trust-funds you must pay within 24 months;

Whatever information you have provided in the Collection Information Statement, Form 433-F, will be confirmed by the IRS from variable sources before approving the proposed plan. This can adversely affect you if it appears to the IRS that you have provided wrong information or the information indicates that most of the expenses are unnecessary.

If it appears to you that payment of tax liability through these Installment Agreement options is not possible, you should seek the services of a competent tax debt relief attorney for alternative solutions.

5. **Show You Can't Pay All You Owe And Settle For A Lesser Amount ("Offer in Compromise")**: The IRS provides an Offer-in-Compromise (OIC) where you can settle your tax debts for less than what you owe. The IRS usually will only agree to this arrangement if it believes you cannot pay your tax debt in full when due or through a payment plan.

There are two basic forms of an OIC: a "lump sum cash" or a "short term periodic payment" plan.

A "lump sum cash" OIC allows you to pay the equivalent of 12 months of income left over after allowed living expenses, but you have to pay it off within 5 months.

And under the "short term periodic payment" OIC you are required to pay the equivalent of 24 months of allowed living expenses income within a 24 month period.

Additionally, in both OICs mentioned, the equity of your assets has to be included in your total payment plan. You can usually discount the fair market value of your assets by 20% for a quick sale value. Then you reduce that amount by indebtedness against the asset.

If you owe the IRS more than you can afford to pay, this could be the option for you. Essentially, an Offer in Compromise gives you the opportunity to pay a lesser amount than what you owe as a full and final payment. If you qualify for the Offer in Compromise program, you can potentially save thousands of dollars in taxes, penalties and interest.

6. **File For Bankruptcy**: While this is not for everybody, sometimes it's your best option to discharge certain tax debt.

In general, you can discharge income tax debt under the Bankruptcy Code. Filing for bankruptcy might work for you if you meet the requirements for discharging your taxes. Usually, but with some exceptions, income taxes that are over three years old can be discharged in bankruptcy. There are other rules not discussed here. You should seek advice of a bankruptcy attorney before considering this option.

7. **Not Be Responsible For Your Spouse's Tax Debt ("Innocent Spouse Relief")**.

If you happen to inherit your spouse's IRS tax problems, you might be able to avoid liability completely or partially. If you can prove that your circumstances fit within the IRS guidelines for innocent spouse tax relief, you may not be subject to the taxes caused by your spouse or ex-spouse.

Normally both spouses are equally liable for tax debt when they file joint tax returns. The IRS allows for innocent spouse relief because there are times when it would be unfair to hold both joint filers equally liable for the tax debt. There are three types of relief available. Seek the advice of a competent tax debt relief attorney for details.

How to Have IRS Frozen Funds Released , Sometimes Within 24 Hours

What can be done if the IRS has already sent a notice to your bank to freeze your account for back taxes? If you sign a Power of Attorney authorizing me to represent you, I can immediately call the IRS and usually I will get 30 days to offer one of the solutions described above. At the same time the IRS will cease collection efforts, remove the freeze on your bank account, and not pursue collection while good faith negotiations are taking place.

Although I cannot absolutely guarantee a 24 hour turnaround, relief usually is a matter of a couple of days. In the event that the IRS officer is unwilling to stop collection efforts, you are entitled to a Collection Due Process Hearing, if you file for it within a 30 days deadline, which will stop IRS collection efforts during which time good faith offers and negotiations take place.

The list of options to settle your IRS tax debt is not a complete list. Always seek the advice of a competent tax resolution attorney. You can get more information from attorney Tony Ramos at The Law Office of Tony Ramos, PC at his website, tonyramoslaw.com. You can also contact him at tonyramos@tramoslaw.com or by phone at 210-558-2834. Tony Ramos lives in San Antonio, Texas.