Payment Alternatives
When You Owe the IRS

Internal Revenue Service
Small Business/Self-Employed Division

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The information contained in this presentation is current as of the date it was presented. It should not be considered official guidance.
Fresh Start Initiatives

Help For Struggling Taxpayers

- Expanded access to payment plans
- More flexibility in our offer in compromise program
Payment Alternatives

- Borrowing
- Payment plans
- Temporary delay in collection
- Offer in Compromise
Avoid Overdue Taxes

• Check your withholding
  - IRS.gov Withholding Calculator
  - IRS Publication 919

• Make/adjust estimated tax payments
  - IRS.gov – search “estimated taxes”
  - IRS publication 505
Penalties and Interest

• Late payment penalty
  - up to 25% of balance due

• Late filing penalty
  - Up to 25% of balance due

• Interest on balance due
Payment Alternatives

- Borrowing
- Payment plans
- Temporary delay in collection
- Offer in Compromise
Borrowing

- Cheaper than IRS penalty and interest
- Seek loan before April 15
- IRS takes credit cards
  - See “Pay Your Tax Bill” on IRS.gov
Installment Agreements

• AKA Payment Plans

• Agreement to make monthly payments

• Penalty and interest apply

• User fee may apply
Installment Agreement Types

• Pay now
  - Within 10-days

• Short term extension
  - Up to 120-days to pay in full

• Regular monthly payments
  - User fee applies
Short Term Extension To Pay

- Pay in 120-days or less
- Regular payments not required
- Pay by agreed date
- Less penalty and interest
- No user fee
- Financial statement not required
Short Term Extension To Pay

• Apply online
  - IRS.gov “Tools”
  - Eligible if you owe $50,000 or less

• Pay online
  - IRS.gov “Pay Your Tax Bill”

• Pay by check
  - Snail mail
Long Term Payment Plan

- Longer than 120-days
- Regular monthly payments
- User fee applies
  - $52 for direct debit agreement
  - $105 for standard agreement
  - $43 if low income
Direct Debit Payment Plan

Advantages

• Lower user fee

• Automatic payments

• No check to write & mail
Types of Payment Plans

- Guaranteed Installment Agreement
  - Tax code section 6159(c)

- Streamlined Installment Agreement
  - Fresh Start Initiative
Guaranteed Installment Agreement

Conditions

• Owe $10,000 or less individual income tax

• Cannot pay immediately

• Can pay within 3 years

• File and pay on time, and …
Guaranteed Installment Agreement

During the past 5 years

• Filed all required returns

• Paid all required taxes

• Have not entered into an installment agreement
Streamlined Installment Agreement

- Less financial information required
- Most will qualify
- Most who qualify are approved
Streamlined Installment Agreement

Eligibility

• Maximum liability $50,000
  - Up from $25,000

• Maximum time to pay 72 months
  - Up from 60 months
Streamlined Installment Agreement

Individual $25,000 or less owed provides

- Name, address, SSN
- Name, address of bank and employer
- Balance due
- Monthly payment amount
- Monthly payment due date
Streamlined Installment Agreement

Individual $25,001 - $50,000 owed

- Provides income/expense analysis
  - Verify ability to pay

- Sets up direct debit payments
  - Automatic payments from checking
Installment Agreement

More than $50,000 owed

• Pay balance to below $50,000
  - Qualify for streamlined agreement
  
or

• Submit written application
  - Full financial statement required
Streamlined Installment Agreement

Qualifying businesses

• Out of business (defunct)
  - Any business type – any type of tax
  - $25,000 or less

• Out of business sole proprietorship
  - Any type of tax
  - $50,000 or less
Streamlined Installment Agreement

Qualifying Businesses

• Operating business
  - Income tax only
  - $25,000 or less
Applying for Installment Agreement

Scenario

• March 15 & ready to file
• Owe and can’t pay
• What to do?
  - File the return
  - Pay what you can
  - Apply for payment plan ASAP
Application Options

• Apply online
• File form 9465-FS with return
  - If e-filing, send to address in instructions
• Call (800) 829-1040
• Visit IRS Assistance Center
• Wait for a tax bill
Online Application

Who can use

• Individual
• All returns filed
• Owe $50,000 or less
• Can pay within 72 months
Online Application

Benefits

• Apply before you get a bill
• Immediate approval notification
• No financial disclosures
• Direct Debit
Online Application

Gather your information

• Copy of tax return
• Monthly payment & due date
• Copy of IRS bill, if received
• PIN, can create if necessary
• Other info
Online Application

Basic questions

• Taxpayer or representative
• Received bill or not?
• SSN – PIN – Caller ID?
• Address?
• Bank and employer?
Online Application

Payment agreement options

• Pay in 10 days
• Pay in 120 days or less
• Monthly payments
Online Application

Monthly payment terms

- Amount
- Due date
- Method
  - Direct debit
  - Payroll deduction
  - Mail check
Online Application

Instructional Video

- IRSVideos.gov
- Individuals or Small Businesses
- Filing/Paying Taxes
Installment Agreements

Not Guaranteed or Streamlined

- Evaluated case-by-case
- Full financial statement required
- Root cause analysis
- Alternatives considered
Installment Agreements

Business Payroll Taxes

• Withheld trust fund taxes
  - Income & FICA
• Deposited periodically
• Reported quarterly
• Taken seriously
Installment Agreements

In-Business Trust Fund “Express”

- $25,000 or less
- Pay within 24 months
- Direct debit if $10,000 - $25,000
- Stay current
Installment Agreements

To apply for In-Business Trust Fund Express Installment Agreement

• Call # on bill or (800) 829-4933
• Submit Form 9465 IA Request
• Visit local office
Installment Agreements

Business Payroll Taxes

- More than $25,000 owed
  - Get & stay current
  - Contact IRS
  - Submit financial statement
  - Consider all options
Temporary Delay in Collection

• Key word “Temporary”

• Hardship
  - Based on financial review

• Debt doesn’t go away
Offer in Compromise

- Tax debt settlement
- Best interest of both parties
- Not for everyone
Offer in Compromise

Know before you apply

• Explore other options
• No guarantee of acceptance
• Not eligible if in bankruptcy
• Returns must be filed
• App fee & initial payment upfront
Offer in Compromise

Initial Payment with Application

• 20% of lump sum
  or

• Initial periodic payment
  - Maximum of 24 periodic payments
  - Continue payments while offer is under consideration
Offer in Compromise

Application Instructions

- Form 656-B, Offer in Compromise Booklet
- IRSVideos.gov – “Completing Form 656, Offer in Compromise
- IRS.gov – “offers”
Offer in Compromise

Application forms

• Form 656-B, Offer in Compromise Booklet
• Form 433-A or B, Collection Information Statement (financial statement)
• Form 656, Offer in Compromise
Offer in Compromise

Gather financial information

- Cash and investments
- Assets and investments
- Income and expenses
Offer in Compromise

Prepare financial statement(s)

• 433-A (OIC) – Collection Information Statement for Wage Earners and Self-Employed Individuals
• 433-B (OIC) Collection Information Statement for Businesses
• Attach supporting documents
Offer in Compromise
Prepare application, Form 656

- Tax and tax periods (years)
- Reason for offer
- Offer amount
  - Section 7, Form 433-A (OIC), or
  - Section 5, Form 433-B (OIC)
- Payment terms
Offer in Compromise

Terms and Conditions

- Offer payments not refundable
- Refunds kept
- Future compliance
  - Until offer terms met, plus
  - Five years
Offer in Compromise

Last three steps

• Application fee, $150
• Initial payment
  - Form 656 Section 5
• Mail application
  - Mailing address in Form 656 Booklet
Offer in Compromise

Appropriate minimum offer =

- Asset equity, plus
- Future income
  - Ability to make payments
Offer in Compromise

Greater flexibility

Future income =

• Past – Payments over 4 to 5 years
• Present – Payments over 1 to 2 years
Offer in Compromise

Greater flexibility

Allowing -

• Student loan minimum payment
• State/local tax payment in certain cases
IRS.gov

Keyword search “Collection”

• Collection Process and Taxpayer Rights
• What do I do if I Cannot File or Pay by the Due Date?
• What if the IRS Asks for Financial Information?
IRS.gov

Keyword search “Collection”

• What Options do I Have if I Cannot Full Pay?
  - Online Payment Agreement
  - Payment Plans, Installment Agreements
  - Temporary Delay
  - Offer in Compromise
IRS.gov

Keyword search “Collection”

• How Can I Prevent Future Tax Liabilities?
  - EFTPS (Electronic Federal Tax Payment System)
  - Estimated Taxes
  - IRS Withholding Calculator
  - Employment Taxes for Businesses
IRS.gov

Other keyword searches

• Penalties and Interest
• Payment Plans/Installment Agreements
• Temporary Delay
• Offer
IRSVideos.gov

Videos -

• Owe Taxes? Understanding IRS Collection Efforts
• Avoiding Interest and Penalty Charges
• Online Payment Agreements
• Completing Form 656, Offer in Compromise
IRS Publications

• Publication 1, Your Rights as a Taxpayer
• Publication 594, The Collection Process
• Publication 919, Hoe Do I Adjust My Withholding
• Publication 505, Tax Withholding and Estimated Tax
IRS Forms & Instructions

- Form 9465, Installment Agreement Request
- Form 9465-FS, Installment Agreement Request
- Form 656-B, Offer in Compromise Booklet