



Why You Should Resolve Your IRS Tax Debt Now: The new FAST Act and its impact on you!

On December 4th President Obama signed the Fixing America's Surface Transportation Act ("FAST") into law. The law, which focuses on improving America's transportation and highways through improved funding has an odd section, Section 32101, Subtitle A, Title XXXII. This section has seemingly nothing to do with highway funding or transportation, but rather amends sections of the Internal Revenue Code to allow the IRS to revoke or deny taxpayers a passport if they owe delinquent taxes to the government, and it requires the IRS to use private debt collectors.

Why this provision was included is unclear. It is not authority the IRS asked for and, with regard to private debtor collectors, has in the past proven harmful to tax compliance. Instead of properly funding the IRS – by allowing the hiring of properly trained and qualified revenue officers – FAST appears to be pushing a discredited and troubling "outsourcing" political policy.

What this means for you if you owe back taxes to the IRS is that, if you do nothing, you face not only the usual enforced collection action by the government (ie. liens and levies) but also harassment by private debt collectors and having your passport revoked, even if you have previously been deemed uncollectable.

What you need to do today

If you owe back taxes to the IRS we can help you now only avoid the unpleasantness of private debt collection and a revoked passport, but can help you bring this head ache to an end once-and-for all. There are a number of options for resolving your old tax debt, including installment agreements, Offers-in-Compromise and even bankruptcy. What you need to do immediately is get working on this problem, contact the IRS and bring the situation to a close.

Installment Agreements

An installment agreement is a payment plan with the IRS to repay the back tax debt over time. The amount you have to pay depends upon your personal financial situation and your ability to pay. The IRS will calculate the ability to pay based upon your gross income and allowable expenses.

Offers-in-Compromise

An Offer-in-Compromise is where the IRS agrees to settle your back tax debt for less than the full amount owed. How much you need to pay to settle the back tax debt will depend upon the IRS financial analysis to determine your ability to pay, called your “reasonable collection potential” or “RCP”. The IRS’s RCP calculation will include net equity in assets (with some exemptions) and future income (gross income less allowable expenses). An Offer-in-Compromise can be a great way to settle your back tax issue, but a complete analysis should be done to see what the RCP calculation is that the IRS will want and if it makes sense for you.

Bankruptcy

Income taxes may be dischargeable if the tax meets certain requirements. In addition to discharging the taxes themselves, but the penalties and interest will follow the underlying tax and be discharged as well. Finally, other debts can also be cleaned up simultaneously. A complete analysis needs to be done by both us as tax professionals and a competent bankruptcy attorney, but bankruptcy may be the quickest and cheapest way to resolve the outstanding tax debt and clean up your financial issues.

Why now?

With the implementation of the FAST Act it has now become more urgent that taxpayers work aggressively to resolve their outstanding tax debt before they become the targets of new IRS enforcement and harassment.

Give us a call and make an appointment to have us help you sort out your options and let's put the tax issue to bed once and for all!