

Installment Agreements

Settling with Uncle Sam

Patrick H. Wanzer, CPA, CTRC

TRN
TAX REP NETWORK

The Current IRS Landscape

Year	Accounts in Collection
2005	6,478,000
2006	7,074,000
2007	8,240,000
2008	9,232,000
2009	9,667,000
2010	10,391,000
2011	10,809,000
2012	11,464,000
2013	11,721,000
2014	12,410,000
2015	13,371,000
2016	14,005,000
2017	14,080,000
2018	14,386,000
2019	15,002,000

More Than 11 Million Non-Filers

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Audit

Highlights

**HIGH-INCOME NONFILERS OWING BILLIONS OF DOLLARS ARE NOT BEING WORKED
BY
THE INTERNAL REVENUE SERVICE**

Final Report issued on May 29, 2020

Highlights of Reference Number: 2020-30-015 to the Commissioner of Internal Revenue.

IMPACT ON TAXPAYERS

The gross Tax Gap is the estimated difference between the amount of tax that taxpayers should pay and the amount paid voluntarily and on time. The average annual gross Tax Gap is estimated to be \$441 billion for Tax Years 2011 through 2013, and approximately \$39 billion (9 percent) is due to nonfilers, taxpayers who do not timely file a required tax return and timely pay the tax due for such delinquent returns. According to the IRS, high-income nonfilers, although fewer in number, contribute to the majority of the nonfiler Tax Gap.

WHY TIGTA DID THE AUDIT

In past audits, TIGTA identified serious lapses with the IRS's nonfiler strategy. This audit was initiated to determine whether the IRS is effectively addressing high-income nonfilers and if the new nonfiler strategy and related plans sufficiently include this segment of nonfilers.

WHAT TIGTA FOUND

The IRS is still in the process of conducting testing; however, the new nonfiler strategy appears to

Delayed due to Congress

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By Aditi Sangal, Elise Hammond, Matt Meyer, Adrienne Vogt and Tori B. Powell, CNN

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Congress passes funding bill to avert government shutdown

By Maureen Chowdhury, Tori B. Powell and Kaanita Iyer, CNN

Updated 12:08 AM ET, Thu November 16, 2023

2024...

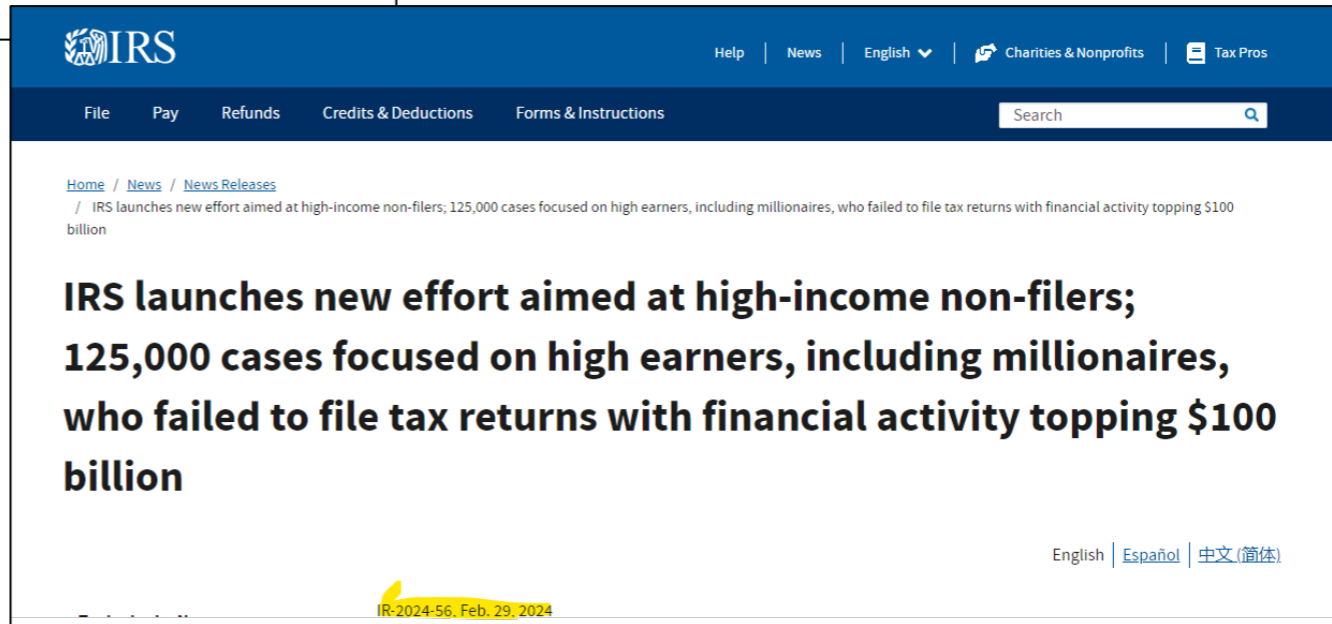


IRS (.gov)

<https://www.irs.gov> > [irb](#) > [2024-02_IRB](#) ⋮

Internal Revenue Bulletin: 2024-02

Jan 8, 2024 — In **2024**, the **IRS** will resume mailing these **notices** for taxable years 2021 and earlier. This **Notice** provides automatic relief to eligible ...



The screenshot shows the IRS website's news release page. At the top is the IRS logo and navigation links for Help, News, English, Charities & Nonprofits, and Tax Pros. Below this is a secondary navigation bar with links for File, Pay, Refunds, Credits & Deductions, and Forms & Instructions, along with a search bar. The main content area features a breadcrumb trail: Home / News / News Releases. The headline of the news release is: "IRS launches new effort aimed at high-income non-filers; 125,000 cases focused on high earners, including millionaires, who failed to file tax returns with financial activity topping \$100 billion". Below the headline, there are language options: English | Español | 中文(简体). At the bottom of the page, the document number and date are listed: IR-2024-56, Feb. 29, 2024.

The IRS Collection Process

IRS Collection Process

- Assessment of the tax
- Billing Notice
 - ~ 10-Year Collection Statute
 - ~ Statutory Lien
- Threat to levy
- Final Notice & Right to a hearing
- Levy, Filing of Notice of Federal Tax Lien



Step #1: Tax Compliance

- All returns filed that are due as of this date
- Current tax period payments being made
 - a) Proper withholding
 - b) Estimated tax payments
 - c) Payroll tax deposits

Inside Secret

- ▶ What is compliance for tax returns?
- ▶ Last 6 years – IRM 1.2.14.1.18
- ▶ No OIC or IA without it!



Non-Filers

Remember the Goal?



- ▶ Taxpayers voluntarily filing their tax returns and paying their taxes
- ▶ When they don't, the IRS will do it for them

IRC § 6020

- (a) Preparation of return by Secretary – Taxpayer provides information.
- (b) Execution of return by Secretary
 - (1) Made from third party data.
 - (2) Status of returns. Any return so made and subscribed by the Secretary shall be prima facie good and sufficient for all legal purposes.

SFR or Summons?

- ▶ Enough 3rd party info – SFR
- ▶ If not – Summons
- ▶ RO is determined to get the return(s) filed

An SFR

- ▶ Is a tax return
- ▶ 10-Year CSED Starts
- ▶ NFTL may be filed
- ▶ Levies may be issued
- ▶ It can be paid or compromised

The image shows a close-up of a 2013 U.S. Individual Income Tax Return (Form 1040). A large, bold, red 'OVERDUE' stamp is prominently displayed across the center of the form. In the upper right corner, the date 'April 16' is circled in red, indicating the filing deadline. The form includes sections for 'Label', 'Filing Status', 'Exemptions', and 'Income'. The 'Filing Status' section shows 'Married filing jointly' selected. The 'Income' section includes fields for '9a Ordinary dividends' and '10 Taxable refunds, credits, or offsets of state and local income taxes'. The form is partially obscured by the stamp and the date circle.

Collection Alternatives: After Billing

- ▶ Uncollectible Status
- ▶ Installment Agreements
- ▶ Offers-in-Compromise
- ▶ Bankruptcy



RCP

- ▶ RCP is a formula
- ▶ It includes Future Income
- ▶ It includes net equity in assets

The 433 is the cornerstone of IRS Collection

- ▶ It is the financial statement the IRS requires
- ▶ It creates the roadmap for collection
- ▶ It is what we use to sort out the collection possibilities
- ▶ But Which Form to use?

Future Income

Expense	Actual/Allowable
Food, Clothing and Misc	National Standard
Housing & Utilities	Lesser of Actual or Local Standard
Automobile – Ownership	Lesser of Actual or National Standard
Automobile – Operating	Local Standard
Public Transportation	National Standard
Health Insurance	Actual
Out of Pocket Health Care Costs	Greater of National Standard or Actual
Court Ordered Payments	Actual
Child/Dependent Care Expenses	Actual and Necessary
Life Insurance	Actual (and Term Insurance)
Current Year Income Taxes	FIT, FICA or SE, SIT, Local
Secured Debts	Actual
Student Loans	Actual and Federally Guaranteed
Delinquent State Taxes	Percentage of State Debt vs IRS debt

Installment Agreements

Background

- ▶ Installment Agreements are payment plans
- ▶ Three types of plans:
 - a. Short-Term
 - b. Regular
 - c. Partial-Pay
 - d. Streamlined

Short-Term Agreements

- ▶ Set-Up over the phone
- ▶ 180 days
- ▶ No levies, no filing of the notice of lien



Regular Agreements

- ▶ Because a regular agreement will full-pay within the time on the statute, more flexible
- ▶ IRS will allow 1-year of actual expenses
- ▶ IRS will allow plan based on actual (not allowable) standards if full pays within 6 years
- ▶ IRM 5.14.1.4.1

Partial-Pay Agreements

- ▶ Because it wont pay there is little flexibility
- ▶ IRS will insist on standards being followed
- ▶ Will revisit every 12-18 months

Streamlined Agreements

- ▶ Benefit: no financial disclosures
- ▶ Changes made in the program over the years



- ▶ Statistically, all agreements default in 48 months
- ▶ IRS therefore wants it paid as quickly as possible
- ▶ They will want assets with equity used (or the TP to attempt to use) it to come up with cash to pay the balance down!

History on Streamlined Agreements

Individual	Field	ACS
Pre-2012 Fresh Start	\$25,000 / 60 months	\$25,000 / 60 months
After Fresh Start	\$50,000 / 72 months	\$50,000 / 72 months
2017 Pilot Program	\$50,000 / 72 months	\$100,000 / 84 months
2020 (IR-2020-248)	\$50,000 / 72 months	\$250,000 / CSED

Businesses can do a streamlined agreement for payroll taxes if they owe \$25,000 or less and can full-pay within 24 months

Benefits of a Streamlined

- ▶ No disclosing assets
- ▶ No liquidating assets to pay
- ▶ Hint: See if a client can use assets to pay down below the Streamlined threshold!

IRS Charges User Fees for an IA

Payment Method	Applicable Fee	
	Using the online payment application	Not using the online payment application
Direct debit	\$31*	\$107*
Check, money order, credit card, or debit card	\$149**	\$225**

Questions?

