IRS COLLECTIONS

If it becomes clear that you agree you are going to owe something to the IRS, start paying them now and avoid penalties and interest. Don't wait until they send you a bill. Start sending as much as you can to them to this address:

"US Department of Treasury"
PO Box 7125
San Francisco, CA 94120-7125

Be sure and place your social security number on each payment and be sure to keep a copy. Place a note in the memo section stating what year you that you want the payment to be applied. You can write, "Apply to tax year ____ only" in the memo section of the payment. But, you must keep a copy of all payments to prove you paid it.

Once you get a bill from the IRS you can set up an installment agreement with them but when you do they get to decide which year it is going to be applied and they always apply it to the year latest in time. Only with voluntary payments can you decide which year to apply the payment towards.

The IRS will lump all the years for which you owe into one installment payment agreement so you don't have to worry about each year being separate. However, you cannot default on your payments to them or they will void out the agreement and start collections against you again.

If you owe less than $25,000.00 the IRS allows you set up a "Streamlined Installment" agreement where you simply divide the total amount you owe by 60 months, or 60 installment payments. For the Streamlined Installment plan you do not have to reveal your financial situation to them.

If you wish to set up payments that are lower than the Streamlined agreement payments or you owe greater than 60 months will allow, then the IRS will require you to complete a Form 433A and perhaps a 433B. These are financial statements where you reveal to the IRS all your assets and liabilities.

Pay particular attention to the last page of the Form 433A where you disclose your income and your expenses. Essentially the IRS will ask you to take out loans against your property or sell it to pay them. They will add up your income and subtract out your expenses and ask you to pay the difference. Therefore, it is very important to make sure all your expenses are included.

However, with regard to the expenses, the IRS will only allow you to remove what is allowed in the "Bureau of Labor" statistics. In other words, regardless of how much you actually pay for the various items, the IRS will only allow you to take what is the average for other citizens in the county where you live. For instance, you may actually pay $2,500.00 for your rent or mortgage but the IRS will only allow you to take the average amount for all citizens of the county where you live, which could be substantially less than what you actually paid. Then they will want more money from you.

So, you should call the IRS and get the "Bureau of Labor" statistics for the county in which you live. That will give you the guidelines that the IRS allows. Look at each category carefully for what they allow you versus what you actually paid.

The IRS will usually not disturb a set installment agreement unless it appears from subsequent records they receive that you are making more money. It is usually advantageous for you to set up the installment agreement for the least amount possible so you are not bound to a high amount. But, you should always pay extra so you reduce your balance and stop the penalties and interest from accruing.

There are also several other options:

1. Offer in Compromise: You may file an "Offer in Compromise" with the IRS wherein you are asking the IRS to take less than what you owe because you can't pay them. However, this is usually for retired, disabled or homeless taxpayers who will never work again. It is NOT for average working taxpayers who can pay over time. Sadly, submission of "Offers in Compromise" has become standard for many taxpayers who are being misled by Tax Practitioners and the IRS. There are many dangers to making an offer and you should consult with a lawyer before submitting one or call the TaxHelp line.

2. Bankruptcy: If you are considering an Offer in Compromise you should also consider bankruptcy as an option. You must consult with a Bankruptcy lawyer. Usually, those taxpayers who are considering an Offer in Compromise would be better off just filing bankruptcy. Bankruptcy can be very negative but it usually is a better choice than an Offer in Compromise when dealing with the IRS.

   Please carefully consider all your options and call the TaxHelp line so you can make an informed decision.