IRS Offers Support for Delinquent Taxpayers by Robert King

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The Internal Revenue Service has launched a variety of new policies to help financially distressed taxpayers maximize their refunds and reduce their tax liabilities while providing additional help to people struggling to meet their tax obligations.

These measures began in 2008 and continue to be implemented today in an effort to address the economic downturn that has so many taxpayers falling behind on payments owed in back taxes while wondering if and how theyâ€™ll every get caught up.

The IRS has been working to ensure that they strike a balance between the governmentâ€™s interest in collecting tax due with that of the economic realities facing many American citizens today. The Service is trying to help taxpayers who are facing financial hardship get back on track.

In a wide range of situations, IRS employees have more flexibility in working with struggling taxpayers to assist them with their unique situation. Depending on the circumstances, taxpayers experiencing a hardship may be able to reduce payments for back taxes, qualify for a settlement agreement or possibly even defer collection action until they are able to pay.

The IRS reminds taxpayers who are behind on tax payments and need assistance to contact the IRS using the information provided on their IRS correspondence. There could be additional help available for these taxpayers facing significant hardship.

Among the areas where the IRS can provide assistance:

Postponement of Collection Action: IRS employees have authority to suspend collection action in certain hardship cases where taxpayers are unable to pay. This includes instances when the taxpayer has recently lost a job, is relying solely on Social Security or welfare income or is facing devastating illness or significant medical bills. If an individual has recently encountered this type of financial problem, an IRS agent may be able to suspend collection after verifying with documentation, to minimize the burden on the taxpayer.

Missed Payments: The IRS considers the reasons why a previously compliant individual who paid timely on an existing Installment Agreement is now having difficulty making payments due to loss of a job or some other similar financial hardship. The IRS may allow a skipped payment or a reduced monthly payment amount without automatically defaulting an Installment Agreement. Taxpayers in a difficult financial situation should contact the IRS or a tax professional to assist them before a default occurs, or soon after.

Offers in Compromise Acknowledgement of Reduced Home Values: An Offer in Compromise (OIC), an agreement between a taxpayer and the IRS that settles the taxpayerâ€™s tax debt for less than the full amount owed, may be a viable option for taxpayers experiencing economic difficulties over a long period of time. With the downturn in home values, many delinquent taxpayers may find an Offer a viable option for resolution, as equity has been lost due to changes in home value.

Avoid Offer in Compromise Defaults: Taxpayers who are unable to meet the periodic payment terms of an accepted OIC are still able to contact a special unit of the IRS that moderates Offers for options to help them avoid a full default of their Offer.

Expedited Levy Releases: The IRS can speed the delivery of levy releases for taxpayers who

request expedited levy releases for hardship reasons. Taxpayers seeking expedited releases of levies for submission to an employer or bank should contact the IRS number shown on the notice of levy to discuss available options. When calling, taxpayers requesting a levy release due to hardship should be prepared to provide the IRS with the fax number of the bank or employer processing the levy.

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