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Innocent Spouses Get More Time to settle Tax Woes

The IRS has extended the time given to innocent spouses to seek relief from their tax liabilities. In the past, the time limit for innocent spouses was two years. This meant that if you are an innocent spouse seeking equitable relief from the tax that you and your spouse are jointly and severally liable for, you have two years from the time the IRS initiates collection efforts to file for such relief. But the recent IRS review of the regulation has seen the time limit removed for certain relief requests. The policy and program changes will be effective in the fall of this year and the IRS will be issuing additional guidelines for those to whom this matter concerns.

The long-debated issue of the two-year time limit is due to the fact that if you sign the tax submission forms with your spouse (or ex-spouse), are jointly and severally liable for all taxes so you can't say you just want to pay your share. So to absolve yourself from the tax liability, you would have to prove that you are innocent, i.e. that you had no knowledge or reason to know about the outstanding taxes.

On this matter, IRS Commissioner Doug Shulman said, "In recent months, it became clear to me that we need to make significant changes involving innocent spouse relief. This change is a dramatic step to improve our process to make it fairer for an important group of taxpayers. We know these are difficult situations for people to face, and today's change will help innocent spouses victimized in the past, present and the future."

Among the changes affecting equitable relief are:

1. The two-year limit to new equitable relief requests or requests currently being considered by the IRS no longer applies.
2. If your equitable relief request was previously denied due to the two-year limit, you may reapply using IRS Form 8857 (Request for Innocent Spouse Relief), if the collection statute of limitations for the tax years involved has not expired. Furthermore, if your case is currently in suspense, it will be automatically under the new rule and you should not reapply.
3. The IRS will not apply the two-year limit in any pending litigation involving equitable relief, and where litigation is final, the IRS will suspend collection action under certain circumstances.

With the impending changes, it is hoped that many more genuinely innocent spouses would find the relief due to them.