

Tax Resolution – Installment Agreement

Last week we discussed your potential options for resolving outstanding tax debt. Now we're going to take an in depth look at one such option: an Installment Agreement. This arrangement essentially consists of making an offer to pay off the tax debt with a series of monthly payments. If the IRS agrees that the offered monthly payment will pay the debt soon enough, a financial agreement is locked in. It then becomes your responsibility to make those payments every month until the agreement is complete.

Streamlined Installment Agreements: As of May 7, 2012, taxpayers with a tax debt of less than \$50,000, are eligible for the Service's "Fresh Start" initiative. The IRS will agree to your offered monthly payment as long as it pays the tax debt off in 6 years or less. Keep in mind that the total amount paid needs to include interest that will continue to accrue as well as other penalties. The IRS will also demand payment in full prior to the expiration of the 10-year statute of limitation for collecting tax debts if the agreement goes beyond that date.

Guaranteed Installment Agreements: The IRS is compelled to accept offers for installment agreements if you meet the certain conditions and your tax debt is less than \$10,000.

- Your monthly payments will pay the tax debt within 3 years.
- You have not filed all any late tax returns for the past 5 years and have not paid late.
- You have not had a prior installment agreement for the past 5 years.

You can calculate an effective monthly payment by dividing your total tax debt by 30. This ensures that interest added for each monthly payment will not extend the agreement beyond 3 years.

Both types of agreements require that you have filed all required tax returns. The IRS also wants your promise to timely file and pay future tax returns. It will also be necessary to make payments on time *every* month. Any late payment will place you in default and at the mercy of the IRS.

The greatest benefit of setting up an install agreement is that you avoid the very damaging effects of a federal tax lien. The IRS will spare no effort in collecting what it feels you owe, but install agreement lets you control the terms of repayment. Furthermore, you can avoid the difficulty of completing a financial statement in which the IRS analyzes your situation.

It is crucial that you contact an experienced tax professional to handle required negotiations with the IRS no matter how much your tax debt. Contact Good Attorneys at Law if you should find

yourself in that unfortunate situation to get the best possible outcome. Tune in next week, as we will explore Partial Payment Installment Agreements.