

IRS Provides Some Relief to Tax Debtors

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The IRS is initiating a new program that may provide relief to struggling taxpayers. The goal is to help individuals and small businesses meet their tax obligations without adding unnecessary burdens.

Significantly, the IRS is increasing the dollar threshold when liens are issued and making it easier for taxpayers to obtain lien withdrawals after paying a tax bill. The IRS is also withdrawing liens in many cases where a taxpayer enters into a Direct Debit Installment Agreement (DDIA), creating greater access to Installment Agreements and expanding a streamlined Offer in Compromise (OIC) program. Here are details of the five main steps.

1. The dollar threshold when liens are generally filed is increased from \$5,000 to \$10,000. This new dollar amount is in keeping with inflationary changes. The IRS plans to review the results and impact of the lien threshold change in about a year.

2. The IRS will also modify procedures that will make it easier for taxpayers to obtain lien withdrawals. Liens can now be withdrawn once full payment of taxes is made if the taxpayer requests it. The IRS has determined that this approach is in the government's "best interest."

In order to speed up the withdrawal process, the IRS will also modify its internal procedures to allow collection personnel to withdraw the liens.

3. The IRS is making other fundamental changes to liens in cases where taxpayers enter into a DDIA. For taxpayers with unpaid assessments of \$25,000 or less, the IRS will now allow lien withdrawals under these scenarios:

- when a taxpayer enters into a DDIA
- when a taxpayer on a regular installment agreement converts to a DDIA
- when a taxpayer requests a lien on a DDIA

Liens will be withdrawn after a probationary period demonstrating that direct debit payments will be honored. This lowers user fees and saves the government money from mailing monthly payment notices.

4. The IRS will offer streamlined Installment Agreements to a greater number of small businesses. The payment program will raise the dollar limit to allow additional small businesses to participate. Small businesses with \$25,000 or less (up from less than \$10,000) in unpaid tax can participate. They will have 24 months to pay.

The streamlined Installment Agreements will be available for small businesses that file either as an individual or as a business. Small businesses with an unpaid assessment balance greater than \$25,000 will qualify for the plan if they pay down the balance to \$25,000 or less. They will need to enroll in a DDIA to participate.

5. The IRS is also expanding a new streamlined OIC program to cover a larger group of struggling taxpayers. This program is being expanded to allow taxpayers with annual incomes up to \$100,000 to participate. Also, participants must have tax liability of less than \$50,000, doubling the current limit of \$25,000 or less.

Despite these improvements, it is recommended that you seek professional assistance to navigate tough tax waters.

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