



# What to do if you cannot pay the taxes?

## REPRESENTATION NEWSLETTER

We know the story: things are tight financially, so you either (1) do not file the tax return, or (2) file the return but don't pay the balance due. But do not worry, you tell yourself, next year will be better. Now it is 2-3 years later and a letter arrives from the IRS, and the threats start, and maybe it has even gotten to the point of actual levy and seizure activity. Now the IRS is wreaking havoc on your financial life and you simply do not know what to do.

We know. We have helped many clients through that exact scenario. Fear not, there is a light at the end of the tunnel.

As it turns out the IRS is usually only too happy to work with taxpayers, but there are some ground rule you need to be aware of and a roadmap to follow.

### 1. Tax Compliance

The first step in resolving your tax issue is to get into "tax Compliance." Compliance means that you have filed all tax returns due for the last 6 years and have made your current tax payments. Once you are in tax compliance we can now work on resolving the back-tax issue.

### 2. Collection Alternatives

There are three main collection alternatives to resolve a back-tax debt: Installment Agreement, Uncollectable Status and Offer-in-Compromise.

#### Installment Agreement

An installment agreement is an agreement to pay the taxes back over time. There are three variations of the installment agreement: Regular, Streamlined, and Partial-Pay. Which type of agreement works best for you will depend upon your personal circumstances and is something we can help you address when you are ready.

#### Uncollectable Status

Uncollectable status is when the IRS determines that you are unable to make current tax payments. When a taxpayer is deemed uncollectable the IRS may still file a Notice of Federal Tax Lien to secure its position in the taxpayer's assets but will not otherwise take enforcement action to seize (or levy) the taxpayer's assets or income streams.

## Offer-in-Compromise

An Offer-in-Compromise is an agreement where the IRS agrees to accept less than the total amount owed to it and the taxpayer agrees to pay the amount negotiated, as well as maintain his or her tax compliance for 5 years following the acceptance of the Offer-in-Compromise ("Offer").

The basis for an Offer is a formula referred to as "Reasonable Collection Potential" or "RCP." RCP is effectively the net equity in assets plus the taxpayer's excess future income for 12 or 24 months, depending upon how the Offer is structured. There can be significant planning done to help a taxpayer maximize the potential for the Offer's acceptance.

If you or someone you know has an issue with paying their federal taxes and needs help to end their IRS nightmare, please contact us by either phone at \_\_\_\_\_ or email at \_\_\_\_\_.