

A quick overview of...

Installment Agreements

An Installment Agreement is a workable payment plan between a taxpayer and the IRS or State. The IRS and State encourages one to pay the tax debt they owe as well as to file all unfiled income tax returns as quickly as possible. When an individual or a business is unable to resolve a tax debt immediately, an Installment Agreement becomes an option that can be reasonable to the taxpayer while at the same time is acceptable to the IRS and State. Some Installment Agreements require the full payment of the tax liability which is set into monthly installments paid over time. Other Installment Agreements allow the taxpayer to partial pay their liability in monthly installments over time.

In order to be eligible for an Installment Agreement with the IRS or state, all unfiled tax returns must first be filed. Once all returns are filed and an accurate tax liability is determined, a qualified tax professional may begin negotiating an Installment Agreement. Keep in mind that it is the goal of the IRS and State is to collect as much tax due before the statute of limitations for collection expires. By law, the IRS has the authority to collect outstanding federal taxes for ten years from the date of assessment. State statutes vary.

If a taxpayer is able to prove that they cannot full-pay their liability, even over time they may enter into a payment plan that allows them to continue covering their monthly expenses and pay less than the amount owed in taxes by making monthly installments. This is what is referred to as a Partial Pay Installment Agreement (“PPIA”). The IRS charges a

nominal fee to set-up an Installment Agreement. In addition, the taxpayer is required to stay in compliance. This means that they must, in addition to making the agreed upon monthly installments, continue to file future tax returns and pay all future tax liabilities in full. This must be done over the entire course of the Installment Agreement period otherwise the taxpayer will be in default and responsible for their full liability due immediately.



Streamlined Installment Agreements – Fresh Start Initiative

If the taxpayer is in compliance and able to pay his or her liability in full over a given period of time (up to 72 months), they may qualify for a “Streamlined Installment Agreement”. In order to qualify the taxpayer must owe less than \$50,000. If the taxpayer owes less than \$25,000 then the qualifications become a little easier and the taxpayer may be able to have a Federal tax lien removed if one exists (note: The \$25,000 and \$50,000 thresholds are based upon the tax liability and do not include interest and penalties).

Without question, a negotiated payment plan in the form of an Installment Agreement is more favorable than a Wage Garnishment, Bank Levy, or Asset Seizure. If one cannot afford to pay their back taxes in full and at the present time, and they do not qualify for an Offer in Compromise or placement into Currently Not Collectible (“CNC”) status, an Installment Agreement may be the best way to resolve their tax debt.

Installment Agreement Forms

The IRS states that the taxpayer should use Form 9465 to request a monthly installment

plan if they cannot pay the full amount they owe. Generally, one has up to 72 months to pay. In certain circumstances, they can have longer to pay or their agreement may be approved for an amount that is less than the amount of tax you owe. However, before requesting an installment agreement, the IRS contends that the taxpayer should consider other less costly alternatives, such as getting a bank loan or using available credit on a credit card. We realize that neither of these alternatives are generally practical.

Form 9465

Form **9465**
(Rev. December 2013)
Department of the Treasury
Internal Revenue Service

Installment Agreement Request

▶ Information about Form 9465 and its separate instructions is at www.irs.gov/form9465.
▶ If you are filing this form with your tax return, attach it to the front of the return.
▶ See separate instructions.

OMB No. 1545-0074

Tip: If you owe \$50,000 or less, you may be able to establish an installment agreement online, even if you have not yet received a bill for your taxes. Go to IRS.gov to apply to pay online. **Caution:** Do not file this form if you are currently making payments on an installment agreement or can pay your balance in full within 120 days. Instead, call 1-800-829-1040. Do not file if your business is still operating and owes employment or unemployment taxes. Instead, call the telephone number on your most recent notice. If you are in bankruptcy or we have accepted your offer-in-compromise, see **Bankruptcy or offer-in-compromise**, in the instructions.

Part I

This request is for Form(s) (for example, Form 1040 or Form 941) ▶ and for tax year(s) (for example, 2012 and 2013) ▶

1a Your first name and initial John	Last name Doe	Your social security number 123-45-6789
If a joint return, spouse's first name and initial Jane	Last name Doe	Spouse's social security number 987-65-4321
Current address (number and street). If you have a P.O. box and no home delivery, enter your box number. 1234 Memory Lane		Apt. number
City, town or post office, state, and ZIP code. If a foreign address, also complete the spaces below (see instructions) Anytown, USA 12345		
Foreign country name	Foreign province/state/county	Foreign postal code

1b If this address is new since you filed your last tax return, check here

2 Name of your business (must be no longer operating) _____ Employer identification number (EIN) _____

3 (818) 555-1212 Evening Your home phone number Best time for us to call
4 (818) 555-1000 Mornings Your work phone number Ext. Best time for us to call

5 Name of your bank or other financial institution:
Main Bank
Address
1111 Main Street
City, state, and ZIP code
Anytown, USA 12345

6 Your employer's name:
ACME Inc.
Address
1234 Industrial Way
City, state, and ZIP code
Anytown, USA 12345

7 Enter the total amount you owe as shown on your tax return(s) (or notice(s))	7	264,000	00
8 Enter the amount of any payment you are making with your tax return(s) (or notice(s)). See instructions	8		
9 Subtract line 8 from line 7 and enter the result	9	264,000	00
10 Enter the amount you can pay each month. Make your payments as large as possible to limit interest and penalty charges. The charges will continue until you pay in full. If no payment amount is listed on line 10, a payment will be determined for you by dividing the balance due by 72 months	10	466	00
11 Divide the amount on line 9 by 72 and enter the result	11	3,666	67

• If the amount on line 10 is less than the amount on line 11 and you are unable to increase your payment to the amount on line 11, complete and attach Form 433-F, Collection Information Statement.
• If the amount on line 10 is equal to or greater than the amount on line 11 but the amount you owe is greater than \$25,000 but not more than \$50,000, you must complete either line 13 or 14, if you do not wish to complete Form 433-F.
• If the amount on line 9 is greater than \$50,000, complete and attach Form 433-F, Collection Information Statement.

12 Enter the date you want to make your payment each month. **Do not** enter a date later than the 28th ▶ **28th**

13 If you want to make your payments by direct debit from your checking account, see the instructions and fill in lines 13a and 13b. This is the most convenient way to make your payments and it will ensure that they are made on time.

▶ **a** Routing number

▶ **b** Account number

I authorize the U.S. Treasury and its designated Financial Agent to initiate a monthly ACH debit (electronic withdrawal) entry to the financial institution account indicated for payments of my Federal taxes owed, and the financial institution to debit the entry to this account. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke payment, I must contact the U.S. Treasury Financial Agent at 1-800-829-1040 no later than 14 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payments of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payments.

14 If you want to make your payments by payroll deduction, check this box and attach a completed Form 2159, Payroll Deduction Agreement

Your signature	Date	Spouse's signature. If a joint return, both must sign.	Date
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