TRI Tax Resolution Institute
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Tips & Traps

Installment Agreements

1. Be sure to complete Form 433-F or 433-A before you contact the IRS.

2. The information in Form 433-F is often supplied to the IRS over the phone. Be sure to fill on all boxes in sections that apply to you. The IRS does not like blanks.

3. Create a separate sheet showing your income and expenses. Calculate your take-home income minus your living expenses prior to contacting the IRS. This will be the amount the IRS will expect you to pay on a monthly basis.

4. The installment agreement calculation may be negative. If the amount is less than zero, request to be placed into Currently Non Collectable status.

5. If your calculation is too low (i.e. substantially below zero) then the IRS may not consider your expenses to be real.

6. The IRS will compare your bank account deposits with the amount you claim as take-home income. Be sure that either these amounts match or that you can trace excess deposits as non-income (i.e. loans, transfers from savings, transfers from other accounts listed on the 433).

7. Provide three months billing statements, invoices, etc. to substantiate living expenses. Also include proof of payment either as copies of checks or bank statements showing the paid expenses. Simply owing the money is not enough to make an expense allowable.

8. If you have more Monthly Disposable Income (“MDI”) than you are able to pay to the IRS as an ongoing installment payment, you can increase your expenses to lower your MDI. For example you could:

    a. Trade in a car you own outright and lease or purchase another car. Note that leasing a car will add a new allowable expense without adding an additional asset.

    b. If you are self-employed you can make or increase estimated tax payments for the current tax year. This will lower your disposable income and increase the chance of staying in compliance moving forward.

    c. If you are an employee you can increase your withholding tax if you typically owe taxes at the end of the year. Be careful not to over withhold as refunds will be kept by the IRS and applied to the back taxes owed.

    d. Buy term life insurance. This is an allowable expense that carries no cash value.

9. Ask for 72 months to pay. If your MDI is too high, try taking your total liability and dividing it by 72. If the amount is less than your MDI, you may request that your full liability be paid over the 6-year period. This does not always work but it is worth a try.