Partial Pay Installment Agreements

There are various ways a delinquent taxpayer may resolve their tax matters. Assuming they are unable to full-pay their liability at the time their taxes are due, the most common way to do remedy their situation is to enter into an installment agreement (for an in-depth view of preparing and submitting installment agreements, see the Installment Agreements white paper, watch the Installment Agreements webinar video or refer to **The Ultimate Guide to Tax Resolution** textbook).

The first most common forms of installment agreement is the **Streamlined Installment Agreement**. Upon entering into a streamlined installment agreement, a taxpayer full-pays their liability within a given period of time set by the taxing agency. For the IRS this period is currently 72 months or six years. Time for each State varies but overall the period the States allow is typically much shorter.

The second most common method of installment agreement is one entered on the basis of **Hardship**. In this case the taxpayer enters into an installment agreement in which they make monthly payments based not upon the amount they owe but rather based upon their ability to pay. If they can prove they have nothing left after paying their necessary and reasonable living expenses, the monthly amount may be zero.

Because the IRS and most States have a statute of limitations on the collection of back taxes owed, a taxpayer may be able to enter into an installment agreement based upon hardship and end up paying less than the full amount they currently owe or will owe once they have accounted for penalties and/or interest that have yet to accrue.

As it currently stands, 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 installment payments. 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.