



Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 1. Securing Installment Agreements

5.14.1 Securing Installment Agreements

- 5.14.1.1 [Overview](#)
- 5.14.1.2 [Installment Agreements and Taxpayer Rights](#)
- 5.14.1.3 [Identifying Pending, Approved and Rejected Installment Agreement Proposals on IDRS](#)
- 5.14.1.4 [Installment Agreement Acceptance and Rejection Determinations](#)
- 5.14.1.5 [Levy Restrictions and Installment Agreements](#)
- 5.14.1.6 [Multi-functional Installment Agreement Authority](#)
- Exhibit 5.14.1-1 [Input of Transaction Code 971 Action Codes 043 and 063 for Pending and Active Installment Agreements](#)
- Exhibit 5.14.1-2 [Installment Agreement Locator Numbers — \(ALNs\)](#)
- Exhibit 5.14.1-3 [Waiver of Restriction of Levy During a Pending or Active Installment Agreement](#)
- Exhibit 5.14.1-4 [Installment Agreement Originator Codes](#)
- Exhibit 5.14.1-5 [Installment Agreement Table](#)

Manual Transmittal

January 07, 2016

Purpose

(1) This transmits a revision to IRM 5.14.1, Installment Agreements, Securing Installment Agreements, to incorporate procedural changes based on Affordable Care Act (ACA) provision 1501, and editorial changes that clarify existing IRM guidance.

Material Changes

- (1) This IRM has been updated for the Affordable Care Act (ACA) Provision 1501: Requirement to Maintain Minimum Essential Coverage (Individual Shared Responsibility) (IRC §5000A) and other editorial changes to clarify existing IRM guidance . Content unrelated to the ACA provisions was not reviewed for currency or accuracy.
- (2) IRM 5.14.1(5) Added a note with a brief description of the MFT 65 Mirrored assessment.
- (3) IRM 5.14.1(5) Added a caution not to assume mirrored assessments on separate spouses reference the same SRP penalty.
- (4) IRM 5.14.1 (5) Updated guidelines for including Affordable Care Act (ACA), shared responsibility penalty (SRP) modules (MFT 35/Mirrored MFT 65) to installment agreements.
- (5) IRM 5.14.1.2(8) d) Updated note to remind employees not to file a NFTL on SRP modules to include Mirrored MFT 65 assessments.
- (6) IRM 5.14.1.2(8) e) Updated note to remind employees not to include SRP modules on levies to include Mirrored MFT 65 assessments .
- (7) IRM 5.14.1.3 (1) Updated note instructing employees not to input a TC 971 AC 043 (pending IA code) for IAs that include only ACA, SRP modules (MFT 35 to include Mirrored MFT 65 assessments) .
- (8) IRM 5.14.1.4.1 Clarified the application of the One-Year rule.

Effect on Other Documents

IRM 5.14.1, dated December 9, 2014 (effective January 1, 2015), is superseded.

Audience

SB/SE Collection Employees

Effective Date

(01-07-2016)

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5.14.1.1 (01-01-2016)

Overview

1. Installment Agreements are arrangements by which the Internal Revenue Service allows taxpayers to pay liabilities over time. If full payment cannot be achieved by the Collection Statute Expiration Date, and taxpayers have some ability to pay, Partial Payment Installment Agreements may be granted. During the course of agreements, penalties and interest continue to accrue. Generally, no levies may be served during installment agreements.
2. The terms **delinquent taxes**, **accrued taxes**, and **current taxes** are used in this manual. They are defined as follows:
 - A. Delinquent Taxes: balance due, ACS balance due accounts and/or notice status accounts;
 - B. Accrued Taxes: unassessed amounts due on returns or undeposited FTDs as of the date of contact; and
 - C. Current Taxes: FTDs and amounts that become due after the date of contact.
3. Taxpayers should be encouraged to pay the liability in full to avoid the costs of an installment agreement, which include a user fee, accrual of penalties and interest, and the possible filing of a Notice of Federal Tax Lien (NFTL).

4. In addition to the policies and procedures provided in sections 1 – 12 of this chapter, the following IRM chapters, sections and subsections provide procedures on installment agreements for specific functions within the Internal Revenue Service:

- *IRM 4.20.4 (Examination Collectibility - Installment Agreements);*
- *IRM 5.19.1.5.4 (Campuses, ACS, toll-free); and,*
- *IRM 8.22.3.11.1 (Appeals).*

See IRM 5.14.1.6., *Multi-functional Installment Agreements, which contains guidance for other functions.*

5. Taxpayers must include ACA SRP modules (MFT 35/Mirrored MFT 65) in new or Pending IAs that include regular tax assessments (MFT 30/31, 55, etc.), subject to the following guidelines:

- If TP has an existing/agreed IA, then a new Individual SRP module (MFT 35/Mirrored MFT 65) is considered a stand alone that can be included in the IA and will not default the IA.
- If taxpayer responds to a notice on a subsequent MFT 35/Mirrored MFT 65, the service employee can add the new period into an existing installment agreement without additional fees.
- If the taxpayer does not want the new Individual SRP module (MFT 35/Mirrored MFT 65) added to the existing IA, then the Individual SRP module will be moved to recess (TC 530 cc 35). This will happen systemically if no action is taken, and the case will not be assigned to ACS or Field Collection. Note: The case will continue to be subject to refund offset if the taxpayer does not request to have the MFT 35/Mirrored MFT 65 included in the IA. Note: A subsequent MFT 35/Mirrored MFT 65 will not default an existing IA.
- If IA defaults for another reason, such as insufficient payments, it will only be reinstated if all modules, including any subsequent MFT 35/Mirrored MFT 65 modules, are included.

Note:

After January 1, 2016, Individual SRP penalties (MFT 35) may be mirrored in the same manner as a MFT 30. These mirrored liabilities will appear as MFT 65 assessments.

Caution:

Do not assume that assessments made against both a husband and wife for the same period are duplicates simply because they are for the same tax period. Before assessments are treated as duplicates, caseworkers should verify that the shared responsibility payment assessments are for the same underlying liability (jointly filed Form 1040), and are not for separately filed Forms 1040.

**5.14.1.2 (01-01-2016)
Installment Agreements and Taxpayer Rights**

1. Request full payment of the tax liability. Encourage taxpayers to pay the tax liability as quickly as possible.
2. If taxpayers are unable to pay in full, determine if they qualify for a Guaranteed, Streamlined, or In Business Trust Fund Express agreements (see IRM 5.14.5).
3. If they do not qualify for Guaranteed, Streamlined or Express processing, secure a complete Collection Information Statement (CIS) (See IRM 5.1.10.3.2.)
4. Taxpayers with aggregate individual income tax liabilities of \$10,000 or less without regard to penalties, interest, additions to the tax and additional amounts may be guaranteed an IA. Taxpayers with an aggregate unpaid balance of assessment (SUMRY) equal to \$50,000 or less may qualify for Streamlined Agreements. The unpaid balance of assessment includes tax and assessed interest and penalties. It does not include accrued interest and penalty. (See IRM 5.14.5.3 and IRM 5.14.5.2, *Guaranteed and Streamlined Installment Agreements.*)
5. There are various methods for making monthly installment agreement payments. Taxpayers should be encouraged to use one of the following electronic methods or credit card payments before accepting payment by check or money order:
 - A. Electronic Federal Tax Payment System (EFTPS) – Taxpayers will select the "payment-due with IRS notice" payment type for posting to Masterfile with a TC 670. EFTPS has the ability to schedule payments up to 12 months in advance for individual taxpayers and up to 4 months in advance for business taxpayers. The taxpayer must initiate payments by sending instructions to EFTPS. (See IRM 21.7.1.4.8.1 for complete instructions).
 - B. Direct Debit installment agreements - If taxpayers maintain a checking account you should encourage them to take advantage of the direct debit installment agreement. (See IRM 5.14.10.4 - .5 for Direct Debit procedures.)
 - C. Payroll Deduction installment agreements - If taxpayers will not agree to a direct debit installment agreement, encourage them to take advantage of the payroll deduction agreement. (See IRM 5.14.10.2 for Payroll Deduction procedures.)
 - D. Credit Card installment agreement payment - See IRM 21.2.1.48.4 for procedures for paying by credit card.
 - E. Payment by check or money order - If payments are made by check, they should be payable to: "US Treasury" . However, checks made out to "Internal Revenue Service" or "IRS" will be processed.
 - F. Direct Pay is a free service that allows taxpayers to make electronic payments directly to the IRS from their checking or savings accounts. See IRM 21.2.1.48.1, *IRS Direct Pay*, for further information
6. Certain taxpayers who enter into installment agreements on timely filed returns will have the failure to pay penalty reduced from a half to a quarter percent per month for any month in which an installment agreement is in effect. (IRM 5.14.1.3 describes necessary inputs for TC 971 action codes.) Input of TC 971 AC 063 reduces failure to pay penalty from one half (0.5) to one quarter (0.25) percent per month if all of the following conditions are met:
 - A. the installment agreement was entered into on or after January 1, 2000;
 - B. the balances are due from an individual (whether IMF or BMF, due on income, employment or excise tax returns);
 - C. the tax return(s) was timely filed, including extensions; and
 - D. no CP 504, LT 11, or Letter 1058 was sent (indicated by a TC 971 AC 069), increasing the failure to pay penalty from one-half (0.5) to one (1) percent.

Note:

If agreements are terminated, penalties increase to one-half (0.50) percent. Input of TC 971 AC 163 causes reversal of the reduction.

7. See IRM 5.14.7.5(1)(a) — (d), regarding designation of payments during installment agreements.
8. In discussing installment agreements, inform taxpayers that:

- A. penalties and interest continue to accrue on unpaid liabilities. Provide taxpayers with current percentage amounts and interest rates. If taxpayers request further information regarding penalties and interest, IRM 20.1.2, provides rates for IRC 6651(a)(1) "failure to file" and IRC 6651(a)(2) "failure to pay" penalties in its sections 2.3.1(2) and 2.4.1(2), respectively. IRM 20.2.6 provides interest computation information. The following SERP web site provides interest rates and tables:<http://sbseservicewide.web.irs.gov/interest/about/rates/default.aspx>
- B. there is an Installment Agreement User Fee - \$120 for new agreements, \$50 for reinstated agreements and \$52 for direct debit installment agreements. (See IRM 5.14.9.10 and IRM 5.19.1.5.4.3.);
- C. low income individual taxpayers have the right to apply for a reduced user fee of \$43 for entering into an installment agreement or a direct debit agreement. The low-income rate of \$43 is charged to taxpayers based on the Reduced User Fee Indicator (RUF) on Masterfile. Advise taxpayers that they will be charged the appropriate rate based on a systemic review of their income and exemptions on the last-filed return, and if they feel that their current circumstances would qualify them for the reduced user fee the reduced user fee application, Form 13844, is available at www.irs.gov or by phone at 1-800-829-3676 for them to access and file. The reduced user fee applies only to individuals (not to partnerships or corporations). There are no low income user fee reductions allowed to the \$50 fee for reinstating or restructuring an agreement. Taxpayers will be informed of their right to apply for a reduced fee in the installment agreement acceptance letter. Inform taxpayers that Form 13844 must be submitted within 30 days of the date on the installment agreement acceptance letter. The contact employee will not make the determination of whether taxpayers qualify for the reduced user fee; that determination will be made when the Form 13844 is processed and validated. Once the Service determines that taxpayers qualify for the reduced fee, any amount of the fee collected in excess of \$43 will be credited against taxpayers' Internal Revenue Code liabilities and thereby will reduce the amount of interest and penalties that might otherwise accrue;
- D. a notice of federal tax lien may be filed (see IRM 5.14.1.4.2) and if a lien was previously filed, it remains on file;

Note:

A Notice of Federal Tax Lien will not be filed on any individual shared responsibility payment liabilities (MFT 35/Mirrored MFT 65) under the Affordable Care Act.

- E. there is the possibility of a levy if the agreement is terminated;

Note:

A levy will not be issued on any individual shared responsibility payment liabilities (MFT 35/Mirrored MFT 65) under the Affordable Care Act.

- F. current returns for taxes must be filed and current deposits paid before an installment agreement can be approved and the taxpayer must remain tax compliant for the entire term of the installment agreement, or he/she will default the agreement. If applicable, remind the taxpayer of the obligation to make estimated tax payments to avoid accruing new tax liabilities, that would default their agreement; and,
- G. federal tax refunds will be offset (see IRM 5.14.1.4.1(18)(e)); and,
- H. there is a right to appeal proposed terminations of installment agreements, terminations of installment agreements and rejections of requests for installment agreements. (See IRM 5.14.9.8.)
- I. advise the taxpayer that the CSED will be suspended while the IA is pending, and during the appeal of a rejected IA proposal or during the IA termination process.

9. In accordance with law, each year the IRS mails Computer Paragraph (CP) 89, "Annual Installment Agreement Statement," to every installment agreement taxpayer. The statement provides:

- the dollar amount of beginning account balance(s) due;
- an itemized listing of payments;
- an itemized listing of penalties, interest and other charges; and
- the dollar amount of ending account balance(s) due.

10. IRC 6502(a)(2)(A) provides that statutory periods for collection may be extended in connection with granting installment agreements. However, it is the policy of the Internal Revenue Service that CSED extensions are permitted only in conjunction with Partial Payment Installment Agreements and only in certain situations (See IRM 5.14.2.1.3.)

5.14.1.3 (01-01-2016)

Identifying Pending, Approved and Rejected Installment Agreement Proposals on IDRS

1. Proposals to enter into installment agreements may result from letters, phone contacts, voice-mail, e-mail, or other communications between taxpayers and Service personnel. If proposals to enter into installment agreements are received by e-mail, do not respond by e-mail. E-mail responses violate the IRS Security Policy. In addition, do not solicit emails from taxpayers regarding installment agreements, or other tax collection or examination issues. All taxpayers have the right to request installment agreements. Requests for installment agreements, including those on unassessed modules, will be noted in the case history, and must be identified on IDRS within 24 hours.

Note:

Installment Agreements that include only assessments for individual shared responsibility payment liabilities under the Affordable Care Act (MFT 35/Mirrored MFT 65) do not need to be identified as pending.

2. The following transaction codes (TC) and Action Codes (AC) will be used:

- Pending Agreements: TC 971 AC 043 — for requests not immediately approved; and,
- Approved Agreements: TC 971 AC 063 — for immediately approved requests.

3. These inputs must be made within 24 hours of the request for, and identification of, installment agreements or pending agreements. These codes prevent levy actions. (See IRM 5.14.1.5 — Levy Restrictions and Installment Agreements.) The inputs must be generated for the appropriate periods using the ICS application by selecting the "COLLECTION ACTIVITIES" menu from the Case Summary screen; then selecting "INSTALLMENT AGREEMENT"; and then selecting the proper code for input (either "GENERATE TC971 AC043" or "GENERATE TC971 AC063").

Note:

If the installment agreement will be input immediately (i.e. a Streamlined or IBTF Express IA) do not request input of the TC 971 AC 043.

4. Taxpayers need to provide specific information for installment agreement requests to be processed. Also, if the information in (a) through (d) below is provided, but it is determined that the agreement request was made to delay collection action, accounts should *not* be identified as being in pending installment agreement status. (See IRM 5.14.3.2.) To identify accounts as "pending" installment agreements, taxpayers must:

- A. Provide information sufficient to identify the taxpayer: generally, the taxpayer's name and taxpayer identification number (TIN). If a taxpayer furnishes a name, but no TIN, and the taxpayer's identity can be determined, then pending status should be identified;
- B. Identify the tax liability to be covered by the agreement;

C. Propose a monthly or other periodic payment of a *specific* amount;

D. Be in compliance with filing requirements. (See IRM 5.14.1.4.1.)

Note:

If requesting a delinquent return(s) from the taxpayer, advise the taxpayer that they do not have a pending installment agreement and that they will have to make a subsequent IA proposal and meet all of the pending IA requirements at that time in order to establish a pending IA (and the need for the input of a TC 971 AC 043).

5. Requests that meet the criteria in IRM 5.14.1.3(4)(a) through (d) will be identified as pending installment agreements even if taxpayers are not in compliance with:

- estimated (ES) payment requirements; or
- federal tax deposit (FTD) requirements,

unless the procedures in IRM 5.14.3.2, *Installment Agreement Requests Made to Delay Collection Action*, apply.

Note:

Taxpayers identified as pyramiding taxpayers may not immediately be granted installment agreements. Installment agreement requests received from these taxpayers should not be identified as pending unless the taxpayer is maintaining current compliance with all filing and federal tax deposit (FTD) requirements.

6. If a taxpayer does not provide all of the information in IRM 5.14.1.3(4)(a) through (d), ask the taxpayer for the missing information. For example, if no payment amount is specified, ask how much can be paid per month. A monthly payment *amount* must be specified for the account to be marked "pending". Advise the taxpayer that the IA will not be considered pending until the information is received to perfect the IA request, and explain the potential consequences for failing to meet the deadline for the actions necessary to perfect the IA request.

7. Acceptance or rejection of proposed agreements is based on analysis of Collection Information Statements. (See IRM 5.14.1.4.)

Exception:

(1) If installment agreement requests are made to delay collection action, see IRM 5.14.3.2.

Exception:

(2) Grant Streamlined, Guaranteed and In-Business Trust Fund *Express* installment agreements based on the criteria in IRM 5.14.5.

8. The following Transaction Codes (TC) and Action Codes (AC) will be input on ALL taxpayer modules containing TC 971 AC 043 to indicate acceptance or rejection of proposed agreements:

A. For Approved Agreements: request that TC 971 AC 063 be input to IDRS on ALL taxpayer modules.

Note:

Agreements approved on ICS systemically input the TC 971 AC 063 to IDRS, so no action is necessary for those agreements.

B. For Rejected Proposals: request reversal of TC 971 AC 043 forty-five (45) days after the rejection is communicated to the taxpayer, unless a timely appeal is received.

C. For Appeals: during appeals, TC 971 AC 043 remains on all modules. If Appeals sustains a rejection, input TC 972 AC 043 thirty days after a rejection is communicated to the taxpayer. If Appeals grants an installment agreement, follow the procedures above for approved agreements.

9. To identify trust fund recovery penalties as pending or approved installment agreements, the balance due account must be:

- assessed; or,
- Form 2751 must be executed by the taxpayer; or,
- by approval of Form 4183 and issuance of Letter 1153.

10. Examples of "Pending" and "No Pending (agreement)" are in IRM 5.14.1.4 and the two charts below.

SITUATIONS THAT <u>DO</u> RESULT IN IDENTIFICATION OF PENDING INSTALLMENT AGREEMENTS
<p>Example:</p> <p>(1) A taxpayer calls the IRS, provides her name, social security number (SSN), identifies the outstanding liability (or balances due), is in compliance with all filing requirements, fits streamlined installment agreement criteria and states she wants to pay \$500 per month. If the \$500 proposed payment meets the minimum payment required under the Streamlined Criteria and the installment agreement can be immediately closed, do not request a TC 971 AC 043. If the payment does not meet the minimum required payment, the taxpayer can't make the minimum payment required for Streamlined criteria, and additional information will need to be secured, input the TC 971 AC 043.</p>
<p>Example:</p> <p>(2) A revenue officer (RO) and taxpayer discuss the taxpayer's financial statement (which includes the taxpayer's name and SSN) on the phone. The taxpayer is in compliance with all filing requirements. The balances due are specifically identified. The RO says the taxpayer needs to pay \$1500 per month. The taxpayer says he will think about it. The revenue officer mails the taxpayer a 433D. TP changes the amount on 433D and mails it back.</p> <p>Note:</p> <p>Though in pending status, the agreement (and payment amount) must be approved by the manager, unless it is a Streamlined, Guaranteed or In-Business Trust Fund <i>Express</i> agreement. (See IRM 5.14.5.)</p>
<p>Example:</p> <p>(3) A taxpayer wants to make payments. RO completes Collection Information Statement (CIS) including the taxpayer's name and SSN and tells the taxpayer \$500 per month is appropriate. The taxpayer is in compliance with filing requirements. The taxpayer verbally agrees to the payment amount.</p>
SITUATIONS THAT <u>DO NOT</u> RESULT IN IDENTIFICATION OF PENDING INSTALLMENT AGREEMENTS
<p>Example:</p>

(1) A revenue officer evaluates a taxpayer's CIS. The taxpayer's name, social security number and balances due are all known and/or identified. The revenue officer informs the taxpayer that a \$1500 per month installment agreement is appropriate. There is no response from the taxpayer.

Example:

(2) A revenue officer mails a 433D (with the taxpayer's name, SSN and balances due listed) to a taxpayer. The 433D provides a payment amount based on an analysis of the taxpayer's CIS. No response is received by phone, FAX, e-mail or other means of communication from the taxpayer.

Example:

(3) A taxpayer who knows he owes taxes tells his employer to send \$500 per month of his paycheck to the IRS. The taxpayer does not communicate with the IRS. The taxpayer's employer sends \$500 per month referencing the taxpayer's SSN. (Note: if \$500 per month is being received, contact should be attempted prior to taking collection action.)

Example:

(4) A revenue officer begins a trust fund recovery penalty (TFRP) investigation. Meanwhile, an officer of the corporation states he wants an installment agreement, identifies the trust fund portion of the corporation's liability (as the balance due account to be paid) and provides a specific payment amount (to be paid from his own funds and applied to the corporate liability – trust fund only.) However, no liability has been recommended for assessment and/or the officer has not signed Form 2751, indicating responsibility for the trust fund portion of the liability (i.e., there is no balance due account for payment application.) Therefore, the potentially responsible officer is informed that there is no pending installment agreement and payments made are considered voluntary. Information about designating these payments to the trust fund portion of a liability is provided in IRM 5.7.4.4. (Also see IRM 5.14.7.4.1 and IRM 5.14.7.5.)

Example:

(5) A taxpayer wants to make payments on an installment agreement. The RO completes a CIS including the taxpayer's name and SSN. RO tells the taxpayer \$500 per month appears to be an appropriate amount for an installment agreement, but the taxpayer is not in compliance with filing his Forms 1040 for the last two years. The taxpayer states that his accountant is away, and that the returns, which are complicated, will take some time to prepare. The revenue officer requests that the taxpayer submit original, signed returns within 60 days, along with a \$500 payment (based on the financial statement received). In addition, the revenue officer requests that a payment of \$500 be received within 30 days. These requests are made in accordance with the procedures provided in IRM 5.14.3.1 and IRM 5.1.10.

5.14.1.3.1 (09-19-2014)

Cases Received From ACS or Campuses

1. If cases are assigned to the field from ACS or Campuses with Transaction Code (TC) 971 Action Code (AC) 043 present on one or more of the tax modules, employees will:
 - A. Attempt to contact the taxpayer and determine if the taxpayer requested an installment agreement.
 - B. If the taxpayer requested an installment agreement, follow the procedures in IRM 5.1.10.3.2 regarding requesting payments. Include a definite request for payment, if appropriate. Consider the contact date to be the new request date and begin case action. If rejection is planned, an independent review is required. If the TC 971 AC 043 has not been input on all Balance Due periods, request input immediately.
 - C. If the taxpayer requested an installment agreement and is not current with filing requirements (TC 971 AC 043 input in error), do not reverse the TC 971 AC 043. Provide the taxpayer a deadline for filing all required returns and providing any additional information necessary for an IA determination. Advise the taxpayer that if they fail to meet the established deadline, their Installment Agreement will be recommended for rejection and sent to the Independent Administrative Reviewer, and that they will have appeal rights if the IAR sustains the rejection. If the taxpayer fails to comply with the request for returns and/or information, refer the proposed rejection for independent administrative review.
 - D. If the taxpayer did not request an installment agreement, request reversal of the TC 971 AC 043 using TC 972 AC 043 with the same date of input.
2. In some situations the criteria regarding installment agreements made solely to delay collection action may apply. In these cases, if the current date is within 30 days of the input date of the TC 971 AC 043, and it is clear that one of the criteria provided in IRM 5.14.3.2 is present, request input of TC 972 AC 043. Independent review is not necessary. Advise the taxpayer that they do not have a pending installment agreement based on the solely to delay determination and that they can discuss the issue with the Group Manager if they chose to. Ensure case histories are documented with the basis for the solely to delay determination and managerial concurrence as provided for in IRM 5.14.3.2.

5.14.1.4 (09-19-2014)

Installment Agreement Acceptance and Rejection Determinations

1. If taxpayers are currently unable to fully or partially satisfy balance due accounts, and an installment agreement will fully satisfy the balance due accounts (or accounts included in agreements provided by IRM 5.14.2.1), then installment agreements should be considered.
2. If taxpayers do not qualify for Guaranteed, Streamlined or In-business Trust Fund *Express* installment agreements, determine a plan for resolving the balance due accounts based on the Collection Information Statement (CIS) and supporting documentation provided by the taxpayer (See IRM 5.1.10.3.2 and IRM 5.15).

Note:

In determining the most appropriate plan for resolving the balance due, consider actions that are least intrusive to the taxpayer and meets the need of the government for efficient collection of the tax, including viable payment options provided in IRM 5.14.1.4.1 or 5.14.2 to ensure the rights of the taxpayers are protected, IRM 5.1.10.7.1-3.

3. There are no minimum nor maximum dollar limits for the amount of a liability that may be included in an installment agreement.
4. Generally Installment agreements should reflect taxpayers' ability to pay on a monthly basis throughout the duration of agreements.
 - A. Analyze the income and expenses to determine the amount of disposable income (gross income less all allowable expenses) available to apply to the tax liability.
 - B. Analyze assets that may be available to resolve the balance due accounts.
 - C. If taxpayers do not agree to payment amounts, or to increases, inform them that these and other issues (see IRM 5.14.1.4(6) through (9)) may be discussed with the next level of management.
 - D. Employees may choose to bring managers into discussions to assist in reaching agreements.
 - E. If agreements cannot be recommended for approval, inform taxpayers that their requests are pending and that *rejection of the request will be recommended*, and refer the case for independent administrative review. Advise the taxpayer their IA proposal will be recommended for rejection and if sustained, they will have appeal rights.

5. If Taxpayers have equity in assets that could be used to fully or substantially satisfy balance due accounts, explore the possibility of liquidating or borrowing against those assets, unless:

- factors such as advanced age, ill-health, or other special circumstances are determined to prevent the liquidation of the assets, or the asset is necessary for the production of income or the health and welfare of the family; and/or,
- they qualify for guaranteed or streamlined or *Express* agreements. (See IRM 5.14.5.)

If taxpayers have the ability to fully or partially satisfy balance due accounts by:	Then
<ul style="list-style-type: none"> • using cash; • withdrawing cash from bank or other accounts; • borrowing on equity in real or personal property; or • selling real or personal property 	<p>A. request full or partial payment (specify amount) be made on balance due accounts</p> <p>B. inform the taxpayer that the specific amount of payment requested is based on conversion of assets (through borrowing or selling); or cash or other liquid assets (such as securities or money market accounts); or other analysis of the taxpayer's financial statement.</p> <p>C. inform taxpayers that installment agreements <i>will be recommended for rejection</i> if there is sufficient equity or cash available to <i>fully pay</i> the taxes and full payment is not received by a set date, or if there is sufficient equity or cash available to <i>make a significant partial payment</i> of the taxes and the partial payment requested is not received by a set date. Advise the taxpayer that they will have appeal rights if their installment agreement proposal is rejected.</p> <p>Note:</p> <p>See IRM 5.14.3.1 about providing deadlines.</p> <p>D. Provide a specific deadline for payment. In addition, notify taxpayers of the consequences of missing the deadline. (See IRM 5.14.3.1 for additional information.)</p>

Example:

If a taxpayer has the ability to pay \$3,000 per month on a \$200,000 liability and has a home valued at \$400,000 with equity of \$200,000, request that he attempt to borrow on the available equity in the home prior to granting an installment agreement. If the taxpayer does not attempt to borrow on the home he must be notified that, though the installment agreement request is pending, it will be recommended for rejection. If the taxpayer is able to get a home equity loan and the monies are used to pay taxes, the amount of the payment on the loan will be considered an allowable expense. However, if the taxpayer applies for a loan but the loan is not approved, every effort should be made to preserve the installment agreement. It would promote voluntary compliance and be in interest of the government.

Exception:

If taxpayers are eligible for Streamlined, Guaranteed or In-Business *Express* agreements, financial statements are not required. (See IRM 5.14.5.2, IRM 5.14.5.3, or IRM 5.14.5.4.)

Caution:

Do not warn taxpayers of enforcement action if installment agreements are pending or in effect. (See IRM 5.14.3.1 for additional information.)

Note:

It is not appropriate to ask a taxpayer to liquidate or borrow against an asset if doing so will create an economic hardship for the taxpayer.

Reminder:

In appropriate circumstances, the taxpayer should be referred to TAS when the case meets TAS criteria. (See IRM 13.1.7.2, Taxpayer Advocate Case Criteria.)

6. Streamlined or In-Business Trust Fund *Express* installment agreements may be granted if taxpayers make a payment on balance due accounts that reduces the unpaid balance(s) of assessments (UBAs) to amounts that fit streamlined or In-Business Trust Fund criteria .

Example:

A taxpayer owes \$60,000 (UBA) in IMF taxes. Request full payment of the balance due accounts. If the taxpayer cannot pay the taxes in full, the taxpayer may make a payment that reduces the aggregate unpaid balance of assessments (SUMRY) to \$50,000 or less prior to granting the streamlined installment agreement. The agreement should be granted as long as the CSED is protected.

7. If an analysis of the taxpayer's financial condition shows taxpayers cannot pay but:

- they insist on installment agreements;
- amounts proposed will fully pay the balance due account(s) within the collection statute (and waiver period if appropriate);
- the possibility remains that payments cannot be made;

then prepare a backup Form 53 along with the installment agreement in case of eventual default and termination. (See Exhibit 5.14.1–2 and IRM 5.14.4.2.)

Note:

If the amounts proposed by the taxpayer will not fully pay the balance due account(s) within the collection statute then Partial Payment Installment Agreements (PPIA) may be considered. (See IRM 5.14.2.1.)

8. If analysis of the taxpayer's financial condition shows a liability cannot be collected in full through an installment agreement, discuss the possibility of a PPIA, an Offer in Compromise (OIC), or a CNC determination with the taxpayer. (See IRM 5.8 and IRM 5.14.2.1.) If the taxpayer agrees with the alternative resolution of CNC or OIC, secure a withdrawal of the IA proposal verbally, or in writing. Note the case history with the taxpayer's agreement with the alternative resolution and request input of a TC 972 AC 043.

9. See IRM 5.14.9.7 regarding Independent Administrative Review if installment agreement requests are recommended for rejection.

10. See IRM 5.14.9.7(14) regarding consideration of revised proposals received during the rejection appeal period.

11. See IRM 5.11.1.2.2 and IRM 5.10.1.4(2) if taxpayers qualify for installment agreements or offers in compromise but:

- do not submit or request one; or,
- do not agree to an acceptable payment amount.

Note:

Also see IRM 5.14.3.1.

Reminder:

Although the intention to recommend rejection should be relayed, actual rejection of proposed agreements must not be conveyed to taxpayers prior to independent administrative review, and enforcement action may not be taken while installment agreements are pending.

- For agreements that require no managerial approval, see IRM 5.14.5.2, 5.14.5.3, and IRM 5.14.5.4. For agreements that require management approval, see IRM 5.14.7.3, 5.14.7.4.2 and IRM 5.14.9.2.

5.14.1.4.1 (01-01-2016)

Six-Year Rule and One-Year Rule

- Six-Year Rule:** When a taxpayer is unable to full pay immediately and does not qualify for a streamlined installment agreement, the taxpayer may still qualify for the six-year rule. Taxpayers are required to provide financial information in these cases, but are not required to provide substantiation of reasonable expenses. All expenses may be allowed if: the taxpayer establishes that he or she can stay current with all paying and filing requirements, the tax liability, including projected accruals, can be fully paid within six years and within the CSED, expense amounts are reasonable. Do not automatically allow agreements based on the six year maximum if expenses are unreasonable.

Reminder:

The Six-Year Rule is not applicable to corporations, partnerships, LLCs (where the LLC is identified as the liable taxpayer), or any business expenses. The Six-Year Rule is also not applicable for Business Master File (BMF) liabilities owed by in-business sole proprietors or LLCs, where the individual owner is identified as the liable taxpayer.

- One-Year Rule:** Taxpayers who cannot full pay their accounts within six years may be given up to one year to modify or eliminate excessive necessary expenses. In some cases, by modifying or eliminating some conditional expenses, a taxpayer may be able to full pay the liability plus accruals within the six year limit. This would enable a taxpayer to retain some conditional expenses under the Six-Year rule. The taxpayer does not have to qualify for the Six-Year rule in order to apply the One-Year rule.

Reminder:

The One-Year Rule is not applicable to corporations, partnerships, LLCs (where the LLC is identified as the liable taxpayer), or any business expenses. The One-Year Rule is also not applicable for BMF liabilities owed by in-business sole proprietors or LLCs, where the individual owner is identified as the liable taxpayer.

5.14.1.4.2 (09-19-2014)

Compliance and Installment Agreements

- Filing and paying compliance must be considered prior to determining that the best manner of paying delinquent taxes is through an installment agreement.

Note:

Filing compliance = all required returns are filed or on an approved extension. Payment compliance = all required federal tax deposits and/or estimated tax payments are current.

- Ensure all balance due modules, including cross-referenced taxpayer identification numbers, displayed on IDRS (SUMRY, which includes Status 22, 23, 24, 26, 53 and 58), are included in agreements. Verify by checking the applicable CFOL commands. The Initial Analysis Tool (IAT) is a useful tool for verifying compliance. (See IRM 5.14.1.4.1(16) for necessary information and IRM 5.14.2.1 for exceptions.)

- Individuals that are in business as sole proprietors must be in compliance with both individual and business filing and payment requirements to qualify for installment agreements.
- An individual that is identified as the liable taxpayer for a single member limited liability company (LLC) must be in compliance with both individual and business filing and payment requirements to qualify for installment agreements.
- A corporation, partnership, trust, estate or other entity that is identified as the liable taxpayer for a single member LLC must be in compliance with all filing and payment requirements for both entities to qualify for installment agreements.
- If taxpayers have delinquent accounts on two or more taxpayer identification numbers (SSN and EIN, or two EINs), all balance due accounts must be included in one agreement. (See IRM 5.14.2.1 for exceptions and IRM 5.14.9.3 and IRM 5.14.9.5 for monitoring.)

Note:

For certain single member LLCs, different entities may be liable for separate tax periods assessed in the same name and EIN. (See IRM 5.1.2.1, *Collecting from Limited Liability Companies and IRM 5.14.7, BMF Installment Agreements*.)

- Modules in Status 22, 23, 24, 53 or 58 on IDRS must either be TSiGned or create ICS Bal Due modules prior to submitting the IA for approval and input.

Note:

If a status 53 module(s) is to be excluded from the installment agreement listed in IRM 5.14.7.3.2, *Installment Agreements When Owner (SMO) and LLC are liable for Assessments in the LLC Name*, make an ICS history notation in the Closing Narrative. This history notation will alert Centralized Case Processing (CCP) to exclude these modules from the IA.

- Taxpayers must be in compliance with all filing and payment requirements prior to approval of installment agreements.

Note:

Ensure all Del Ret's are shown as closed on IDRS and in status "D" on ICS **PRIOR** to selecting one of the Option A systemic upload IA types (Routine, Streamlined, IBTF Express, IBTF). If the Del Ret is not in a closed status on IDRS and ICS, the IA request will reject.

- Do not grant installment agreements if taxpayers have not filed required returns. Do not identify requests for agreements as "pending" agreements if taxpayers have not filed required returns. (See IRM 5.14.1.3(4)(d).)
- A Del Ret is present when a delinquency investigation is established by input of Transaction Code (TC) 140. In some publications and procedures the term "Taxpayer Delinquency Investigation" (TDI) is used to describe Del Ret's.
- If Del Ret status is not indicated for a tax period then, for the purpose of granting an installment agreement, no additional compliance check is required (except on tax returns due within the past sixteen months). (See IRM 5.14.1.4.1(7).)
- Prior to granting IAs, ensure that tax returns due within the past sixteen months were filed. If not filed, address compliance even if a Del Ret is not indicated using the procedures provided in IRM 5.14.1.4.1(10). This ensures compliance is addressed when Del Ret case creation has not yet occurred. Del Ret's are created within sixteen months of due dates of returns.

8. If Del Rets were resolved by one of the following methods, the closure is not considered evidence of compliance for the purposes of entering into an installment agreement:
 - A. surveyed;
 - B. shelved;
 - C. unable to locate;
 - D. referred to Exam or SFR (unless the assessment is pending or the case is assigned);
9. If Del Rets were resolved by a closure listed in IRM 5.14.1.4.1(8)a – d, but it is determined that they could have been closed as provided in IRM 5.14.1.4.1(11), then input (or request input of) appropriate transaction and closing codes. In these situations installment agreements may be granted when closing Del Rets.
10. If an installment agreement is the appropriate case resolution, and there is an open Del Ret on another tax module(s); then the installment agreement may be granted when:
 - A. Tax return(s) indicated as due are filed.
 - B. Del Rets are resolved using the dispositions listed in IRM 5.14.1.4.1(11).
 - C. Del Rets are resolved using the dispositions listed in IRM 5.14.1.4.1(12).
11. Installment agreements may also be granted when the following closures are present:
 - A. No return secured – little or no tax due (Policy Statement P-5-133);
 - B. No return secured – taxpayer due refund.

Note:

If the taxpayer is due a refund, which still may be credited within the refund statute, inform the taxpayer to file the refund return before the refund statute expires to reduce the balance due on the installment agreement.

12. If taxpayers are not required to file returns, such modules should be closed using appropriate transaction and closing codes. The return closing codes that indicate filing compliance, or that filing is not required are contained in IRM 5.3. Also see Document 6209 Chapter 11 for definitions.
13. If taxpayers are required to file returns and these returns are not filed, installment agreements cannot be granted or approved. See IRM 5.1.11.7 for closing procedures for delinquent return accounts. Also see Document 6209 Chapter 11 for definitions.
14. If Del Rets were closed with a transaction code that does not indicate filing compliance, request that returns be filed within a reasonable time frame.
15. See IRM 5.1.11.4 for exceptions and guidance regarding the filing of returns.
16. Compliance checks based on case information:
 - A. Except in those situations described in IRM 5.14.1.4.1(6) and IRM 5.14.1.4.1(7) above, further compliance investigation is neither required nor prohibited, if Del Ret status is not indicated on IDRS. In addition, unless there is a Del Ret, no CFOL review (and no IRPTR review) is required.
 - B. If further research is conducted and there is an indication a return is due, then address filing compliance prior to granting installment agreements. Installment agreements may not be granted if it is determined taxpayers are liable for unfiled Balance Due returns. (P-5-133, refund return determinations and the dispositions provided in IRM 5.14.1.4.1(11) are permitted in these situations, if determined appropriate after further investigation.)
17. The compliance checks described in this section are conducted to determine eligibility for installment agreements after they are requested by taxpayers. If taxpayers do not file the requested returns by the provided deadlines (and the circumstances described in IRM 5.1.11.4 do not apply) requests for agreements will not be identified as pending (rejection and independent review are inapplicable) and agreements will not be granted.
18. Analyze the current year's anticipated tax liability. If it appears a taxpayer will have a balance due at the end of the current year, the accrued liability may be included in an agreement (see IRM 5.14.1.4.5). Compliance with filing, paying estimated taxes, and federal tax deposits must be current from the date the installment agreement begins. Use Agreement Locator Number (ALN) XX32. (See Exhibit 5.14.1–2)
 - A. If the taxpayer's withholding is insufficient, emphasize the importance of adjusting Form W–4 to avoid future balance due situations. If personal (face-to-face) contact with the taxpayer is made, calculate the current amount of withholding with the taxpayer. With the taxpayer's concurrence, prepare a new Form W–4 for signature. Mail the signed Form W–4 to the taxpayer's employer.
 - B. Advise taxpayers to make estimated tax payments and/or federal tax deposits (FTDs) if required;
 - C. Advise taxpayers that failure to make timely estimated tax payments and/or FTDs may result in penalties;
 - D. Advise taxpayers that future compliance with tax laws is required. Any returns and/or taxes due within the period of the agreement must be filed and paid timely;
 - E. Advise taxpayers that federal tax refunds are subject to offset to pay balance due accounts during installment agreements, including refunds from income taxes of individuals whose sole proprietorship or partnerships owe taxes and have installment agreements. (In these cases, ensure TC 130 is input for the appropriate social security number(s).)
 - F. Advise taxpayers that if the owner of a single member LLC is identified as the liable taxpayer, any federal tax refunds payable to the owner are subject to offset to pay balance due accounts during installment agreements, including refunds from income taxes of an individual, corporation, or other entity where the owner owes taxes and has an installment agreement. (In these cases, ensure TC 130 is input for the appropriate social security number(s) or employer identification number(s).)

5.14.1.4.3 (09-19-2014)

Notice of Federal Tax Lien and Installment Agreements

1. Prior to granting installment agreements, ensure the government's interest is protected. This includes filing and refile Notices of Federal Tax Lien (NFTL), if necessary. (See IRM 5.12.2 regarding lien filing determinations.)
 - A. A lien determination must be made on all cases meeting the criteria of IRM 5.12.2.4.1. (In general, accounts that do not qualify for guaranteed, streamlined or IBTF express installment agreement processing require lien determinations.)
 - B. When filing a NFTL in connection with an installment agreement advise taxpayers in advance of the plan to file the lien and give them the opportunity to make full payment, or modify the IA to meet the non-filing criteria in IRM 5.12.2

Reminder:

If the taxpayer disagrees with the proposed notice filing, advise the taxpayer of their right to appeal under the Collection Appeals Program (CAP). Also explain to the taxpayer their right to request a Collection Due Process (CDP) hearing under Internal Revenue Code (IRC) §6320 once the notice has been filed. See IRM 5.12.6.

2. Notices of federal tax lien may be filed:

- while installment agreements are pending;
- in connection with granting installment agreements;
- during the rejection process; and
- during the default/termination period.

Note:

See IRM 5.14.11.5(1)(f) and IRM 5.14.11.6 regarding filing notices of federal tax lien during defaulted and/or terminated installment agreements.

3. Though it is not general practice to do so, liens may also be filed:

- while installment agreements are in effect; and
- during appeals of rejections, defaults and terminations. (Inform Appeals of this plan.)

Note:

Liens should only be filed if exigent circumstances exist (i.e. the taxpayer is liquidating or placing assets beyond the reach of the government). Group manager approval is required for liens filed in accordance with (3) above. Review IRM 5.14.11.6 prior to filing these Notices of Federal Tax Liens.

4. If a NFTL will be required on pre-assessed tax period(s), the request for lien filing must be manually submitted on Form 12636, *Request for Filing or Refiling Notice of Federal Tax Lien* to the Centralized Lien Unit (CLU) once the tax period is assessed. CCP will **NOT** hold or process any request for NFTL filing on a pre-assessed period submitted with an installment agreement.

5.14.1.4.4 (09-19-2014)

Increases, Decreases, Varied Payment Amounts; Completing and Processing Installment Agreements

1. The amount of the taxpayer's payment depends on his or her ability to pay. (See IRM 5.14.1.4(5).)

- A. Only equal monthly installment payments can be monitored on IDRS. However, inform taxpayers that extra payments or higher payments can be accepted at any time.
- B. Space is provided on Form 433-D, *Installment Agreement*, and Form 2159, *Payroll Deduction Agreement*, for scheduled increases or decreases in payment amounts. IDRS will accept two changes in payment amounts when agreements are input for systemic monitoring. Agreements must be manually monitored if more than two changes in payment amount are planned. Document reasons for scheduled *increases* or *decreases*. Reasons can include expected full payment of a loan that will increase the taxpayer's ability to pay; income is scheduled to increase or decrease; or necessary living expenses are scheduled to increase or decrease. (See IRM 5.15.1.10.)

2. Agreements may include an *increase* of one or two large payments to fully or partially pay accounts if it is documented and verified taxpayers will receive funds to make the payments. These payments may be represented as increases in the installment payment amount as discussed in IRM 5.14.1.4.4(1)(b). Situations that may call for this type of agreement include:

- contract sales with determined payment date(s);
- judgments resulting in fixed settlement and payment dates;
- beneficiary, distributee or payee status in trusts, estates, or profit sharing plans resulting in expected payment(s) on certain date(s);
- accrued equity in assets from which taxpayers plan to borrow when the monthly payment is scheduled to increase; and
- other projected receipts of funds.

3. Payment schedules may incorporate *varied* payments. Support varied payment schedules with documentation. Examples of reasons for varied payment schedules include, *but are not limited to*:

- *anticipated* fluctuations in business cycles for businesses or "commission" employees;
- contract employment;
- self employment;
- seasonal employment;
- seasonal expenses (for example, child-care costs when school is out); and,
- planned (scheduled) changes in employment status, such as plans to work part-time, or reduced schedules, especially if the changes are made in order to facilitate a parent staying home with children, even if this means making numerous changes to monthly payment amounts over a period of time.

4. For all agreements: request that taxpayers select a day of the month, from the 1st through the 28th, for the payment due date. Advise taxpayers:

- A. on IDRS monitored agreements, a monthly payment reminder notice (CP 521) will be mailed to taxpayers two cycles before each payment due date, except in the case of Direct Debit agreements. A pre-addressed envelope is included with the notice. In the case of a payroll deduction, inform the taxpayer that even though the payments are being sent by their employer, they will receive a monthly reminder notice for their records ;
- B. to send payments according to the terms of agreements, even if no reminder notice is received;
- C. in the absence of pre-addressed envelopes, payments can be mailed to the campus address that services the area, i.e. Internal Revenue Service, city, state and zip code of appropriate SB/SE or W&I campus;
- D. names, tax identification number and tax forms included in the agreement must be written on the front of checks. Checks should be payable to US Treasury. (See IRM 5.14.1.2(5) and note that installment agreement payments may not be designated. (See IRM 5.14.7.5(1).)

5. Assign Agreement Locator Numbers (ALNs) in accordance with Exhibit 5.14.1-2. Use a multiple condition ALN when appropriate. (Also see IRM 5.14.9, *Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals.*)

6. List levy source information, including complete addresses and ZIP codes on installment agreement forms.

7. An installment agreement must be in writing. A written installment agreement may take the form of a document signed by the taxpayer and the Commissioner (Form 433-D) or a written confirmation of an agreement entered into by the taxpayer and the Commissioner that is mailed or personally delivered to the taxpayer (Letters 2849 or 2850).

Note:

Agreements approved using the ICS application will generate the appropriate written confirmation (Letters 2849 or 2850). It is the revenue officer's responsibility to mail or deliver the letters to the taxpayer and document the method of delivery in ICS. The form 433-D needs to be signed by the taxpayer only in direct debit agreements.

8. Taxpayer signatures must be secured on all Forms 2159. (See IRM 5.14.10.3.) Also, though taxpayer signatures are generally not required on Forms 433-D,
 - *signatures on Form 433-D are required for direct debit agreements* (attach a voided check OR on the Form 433-D document the account number and bank routing number for processing); and
 - they may be obtained when taxpayers are available during personal contact.
9. Approval authority for installment agreements is provided in IRM 5.14.9. If approval cannot be secured while taxpayers are present advise them proposed installment agreements must be approved. (See IRM 5.14.3.1 regarding requests for payments in the interim, and IRM 5.14.1.3 regarding necessary inputs to IDRS.) Submit agreements for approval before any payments are due. If there are delays in the approval process notify taxpayers.
 - A. Fully consider taxpayers' rights and interests prior to recommending rejection of an installment agreement request. Consider all aspects of the request including circumstances presented by taxpayers that they claim support the acceptance of the agreement; information taxpayers provide in support of approving the agreement; and the independent review criteria described in IRM 5.14.9.7(4) and IRM 5.14.9.7(5). Although taxpayers *should be informed if the rejection of the agreements is being recommended*, do not convey actual rejection of proposed agreements prior to independent administrative review except in the limited situations described in IRM 5.14.3.1 below. (Also see IRM 5.14.9.7, regarding the independent review process.)
 - B. If additional information or action is required (for instance an attempt to borrow is requested) then request the necessary information or action from the taxpayer and establish a reasonable action date. Explain the consequences of failure to comply with the request. If an action date is missed, refer the case to the independent administrative reviewer prior to conveying rejection of the proposed agreement to the taxpayer. In general, no enforcement action may be taken as a consequence of such missed action dates, unless the situations described in IRM 5.14.1.5(2) or in IRM 5.14.3 are present. (See also IRM 5.14.9.7 regarding Independent Administrative Review.)
 - C. While meeting or speaking with taxpayers, if they do not agree to payment amounts, or to increases in payments, advise them that a meeting with the next level of management may be requested. Also, employees may include managers in discussions about installment agreements with taxpayers, if it assists them in finalizing agreements. If approval of an agreement is not planned, inform the taxpayer that the status of the agreement is "pending", and rejection will be recommended and that rejected requests may be appealed. Then refer such cases for independent administrative review. (See IRM 5.14.9.7.)
10. Inform taxpayers failure to pay penalty is reduced on installment agreements if certain conditions are met. (See IRM 5.14.1.2(6).)

5.14.1.4.5 (09-19-2014)

Installment Agreements with Pre-assessed Modules

1. If an installment agreement is for **pre-assessed and prompted modules only**, forward the file to Centralized Case Processing on Form 3210. These types of agreements cannot be systemically uploaded from ICS to IDRS. Pre-assessed agreements may be input to IDRS by Centralized Case Processing, before the assessment is made, via IDRS command code IAPND. Although this generally precludes the need for manual monitoring of these accounts, pre-assessed installment agreements may be monitored by Centralized Case Processing until all periods are assessed. These agreements are sent to CCP for processing at the following address:

Internal Revenue Service
2970 Market Street
Mail Stop 5-E04.114
Philadelphia, PA., 19104

The 433-D can also be emailed or e-faxed to the appropriate CCP mailbox.

2. Using Option A on ICS, installment agreements which include **both** assessed (ST. 26) and pre-assessed modules, can be systemically uploaded from ICS to IDRS. However, in order for the pre-assessed module to be included in the IA, you must complete the ICS template version of the Form 4844. In the "Remarks" section of this form include the following statement: "Please update ENMOD history to include pre-assessed module(s) xx-xxxxx in installment agreement." Respond "Yes" to having the document e-mailed to CCP. ICS will prompt you to complete the Form 4844 prior to saving the IA request.
 3. Compliance Service Collection Operation (CSCO) is responsible for adding pre-assessed modules to agreements when they post and the accounts appear on the Installment Agreement Accounts List (IAAL).
- Note:**
- ICS will automatically select the correct ALN when an agreement has more than one condition. The highest priority value will be used for the "YY" indicator. A "YY" Indicator of "32" identifies pre-assessed modules are included in the agreement.
 4. Option B on ICS can also be used for requesting input of installment agreements with both assessed and pre-assessed modules. Use the systemically generated F3210 to send the IA to CCP for processing at Mail Stop 5-E04.114. Use Installment Agreement Locator Number XX32. (See Exhibit 5.14.1-2.) Ensure all account balances included in agreements will be fully paid prior to CSEDs plus allowable extensions. (See IRM 5.14.2.2(3).) See IRM 5.14.2.1 for information on partial payment installment agreements.
 5. If the agreement contains ONLY pre-assessed modules and the taxpayer requests a DDIA, process the IA per the procedures in IRM 5.14.10.4 (Regular DDIA) or IRM 5.14.10.5 (IBTF DDIA).

5.14.1.5 (03-04-2011)

Levy Restrictions and Installment Agreements

1. No levy may be made on taxpayer accounts:
 - A. while requests for installment agreements are pending;
 - B. while installment agreements are in effect;
 - C. for 30 days after requests for agreements are rejected;
 - D. for 30 days after agreements are terminated; and
 - E. while an appeal of a default, termination or rejection is pending or unresolved.

Note:

Criteria for identifying "pending" agreements are in IRM 5.14.1.3.

2. Levies may be served during the periods described in IRM 5.14.1.5(1) above:

- A. if taxpayers waive the restriction in writing (see Exhibit 5.14.1-3);
- B. if collection is in jeopardy (i.e., if a condition allowing a jeopardy assessment exists.) In these situations CP 523 (Letter 2975 for MMIA) is not required. Unless notice of the right to appeal was previously provided, taxpayers must be notified of their appeal rights after jeopardy levies. (See Policy Statement P-4-88 found at IRM 1.2.13.1.27 for a list of conditions under which a jeopardy assessment will be made. See also IRM 5.11.1.3.9 and Exhibit 5.11.1-1 for approval levels for jeopardy levies. Approval level depends on whether notices described in IRM 5.11.1.2.1 were sent, and if required waiting periods have passed);
- C. for balance due accounts not included in current installment agreements. (The new tax periods are not affected by the appeal period for defaulted installment agreements.)

Caution:

In this context, "current" installment agreements include those in IDRS status 64 (default) because they remain in status 60 on Masterfile for the 13 cycles they are in status 64 on IDRS (until terminated and removed from status 60). Also, CDP notices and time frames must be provided to taxpayers on all balance due accounts before levies are served. See IRM 5.14.2.1 (regarding partial payment installment agreements) and IRM 5.11.1.2 (regarding pre-levy actions).

Example:

The taxpayer has an installment agreement for payroll taxes for the periods ending September 30, 2005, and December 31, 2005. The period ending March 31, 2006, is not included in the installment agreement and now has a balance due and all appropriate due process notices were mailed. The default Letter 2975(DO) has been sent on the periods in the installment agreement, but 90 days have not passed. In this example, although levies may not be served for those tax periods included in the agreement, levies may be sent to levy sources to collect on the balance due for the period ending March 31, 2006.

- 3. If an installment agreement is identified as *pending*, and a levy is outstanding, it may be released, but it is not required that such levies be released. If an installment agreement is *approved*, and there is a levy outstanding, it *must be released*, unless the agreement provides otherwise. If an outstanding levy will remain in effect during an installment agreement, document this in the "Additional Conditions" block of the agreement form. (See IRM 5.11.1.3.9.)

Example:

(1) A levy has attached funds in the taxpayer's bank account and an installment agreement is prepared before the proceeds are received. If it is decided, with concurrence of the taxpayer, not to release the levy, this must be written in the Additional Conditions block of Form 433-D.

Example:

(2) If a wage levy is to remain open while a taxpayer is making installment payments, it must be written in the "Additional Conditions" block of Form 433-D that the levy is to remain in effect until the liability is satisfied (or the levy is released). Situations where a wage or continuous levy is left in place during an installment agreement may include, but is not limited to, levies on mineral royalties or intermittent income not included in the income and expense analysis.

Note:

If the levy is to collect on a balance due account that is not included in an installment agreement, then no release is required.

5.14.1.6 (09-19-2014)

Multi-functional Installment Agreement Authority

- 1. *IRM 5.14, Installment Agreements, is primarily for use by Collection contact personnel. In addition, it is referenced by other functions for installment agreement policy and procedures. This section provides cross-functional authority to grant installment agreements and references actions necessary in the installment agreement process. Collection personnel should reference this section to learn about other functions' installment agreement authority, and the types of assistance other functions may request.*
- 2. The authority to grant installment agreements has been extended to other contact functions within the Service to improve one-stop service, reduce taxpayer burden, encourage voluntary compliance and utilize resources more effectively. The functions are: Appeals, Tax Exempt and Government Entities, Examination, Taxpayer Advocate Service, Submission Processing, and Field Assistance.

Note:

IRM 5.19 provides procedures for Campuses, ACS and toll-free.

- 3. Multi-functional installment agreement authority is limited to certain types of accounts with an aggregate unpaid balance of assessment less than or equal to ≡ ≡ ≡ ≡ .
 - A. The types of accounts this authority is limited to are individual accounts, corporate or LLC accounts in which the only open periods are Form 1120 modules, and out of business sole proprietor or LLC accounts where the owner of the LLC is identified as the liable taxpayer.

Note:

(1) The limitation on dollar amount does not apply to agreements Appeals can consider under Collection Due Process or the Collection Appeals Program. (See IRM 8.24.1.)

Note:

(2) Multi-functional installment agreement authority does *not* extend to granting agreements in accordance with the procedures provided in IRM 5.14.2.1, Partial Payment Installment Agreements.

- B. See streamlined installment agreement procedures for accounts with an aggregate unpaid balance of assessments (SUMRY) less than or equal to \$50,000 in IRM 5.14.5.2.

- C. See guaranteed installment agreement procedures for accounts with income tax of \$10,000 or less, in IRM 5.14.5.3.

Note:

This authority is limited to individual income tax accounts.

- D. See In-Business Trust Fund Express for accounts with an unpaid balance of assessment (SUMRY Balance) of \$25,000 or less, in IRM 5.14.5.4.

Note:

This authority is limited to in-business BMF accounts.

- 4. Multi-functional authority to grant Full Pay Within 60 or 120 Day Agreements is limited to accounts with aggregate unpaid balances of assessment less than or equal to ≡ ≡ ≡ ≡ . These agreements may be granted for up to 120 days (Collection Field function employees do **not** have the authority to grant Full Pay Within 60 or 120 Day Agreements). (See IRM 5.19.1.5.3 regarding instructions for SB/SE Campus employees.)

Note:

Any taxpayer with an open employment tax filing requirement is considered "in-business" and is not eligible for this type of agreement.

- 5. The multi-functional installment agreement authority levels apply to assessed and pre-assessed accounts including taxpayers who state an inability to pay when they file their return timely or late.
- 6. If taxpayers do not qualify for guaranteed, streamlined or in-business trust fund *express* installment agreement processing, a CIS is required. Financial analysis may be done by the function initiating the agreement if sufficient expertise exists. (See IRM 5.15 regarding financial analysis.)
- 7. Financial statements—on those cases which do not qualify for guaranteed, streamlined, or *Express* processing—require verification of income and expenses. Verification may be done by the function initiating the agreement if sufficient expertise exists. Research of local property records regarding real property, personal property and motor vehicle ownership is not required.
- 8. See IRM 5.14.1.4.2 regarding lien filing. Lien filings will be requested from the Collection function on Form 12636, *Request for Filing or Refiling Notice of Federal Tax Lien*.

Reminder:

If a Notice of Federal Tax Lien (NFTL) is to be filed, the taxpayer must have been advised in advance.

- 9. If the function initiating the agreement is not able to conduct financial analysis or verification, assistance will be sought from Collection personnel, or the taxpayer will be referred to Collection. The function initiating the agreement may assist the taxpayer in completing the CIS before referring the taxpayer to Collection.
- 10. Upon identification of an installment agreement request, the case-file will be noted that an installment agreement is "pending." (See IRM 5.14.1.3 regarding criteria necessary for identification of "pending" status.)
- 11. If a CSED extension is appropriate see IRM 5.14.2.2.
- 12. Installment agreements will be approved by functions that initiate agreements. Completed forms will be routed as follows:
 - A. All field functions initiating installment agreements will route completed forms to Centralized Case Processing.
 - B. Appeals may input installment agreements secured within its function according to local guidelines (except Direct Debit and Manually Monitored Installment Agreements).
 - C. If the function initiating the agreement is not located in an area office or has made arrangements to send completed forms directly to a Campus, then completed forms will be routed to Compliance Service Collection Operation (CSCO) for processing.
 - D. If a Campus secures an original installment agreement and Form 900 waiver, copies of *both forms* will be forwarded to Centralized Case Processing.
- 13. If an account does not fall within the multi-functional guidelines or a function is unable to grant an installment agreement for any reason, assistance will be sought from the Collection function or the taxpayer will be referred to Collection.
- 14. If the proposed installment agreement cannot be granted due to the taxpayer's noncompliance to deposit or estimated tax payment requirements, failure to file required returns, or failure to provide information, (within a reasonable deadline); then the procedures in IRM 5.14.9.7 and IRM 5.14.9.8 should be followed before the case is referred to field revenue officer groups. See IRM 5.19.1.5.5.9.
- 15. Local procedures should be developed by SB/SE Area Collection functions to accommodate other functions seeking assistance. Collection is responsible for the administration of installment agreements.
- 16. Examination employees who receive an installment agreement request from a taxpayer should follow the procedures in IRM 4.19.13.9 and IRM 4.20.4.

**Exhibit 5.14.1-1
Input of Transaction Code 971 Action Codes 043 and 063 for Pending and Active Installment Agreements**

INPUT OF TRANSACTION CODE 971, ACTION CODES 043 AND 063 FOR PENDING AND ACTIVE INSTALLMENT AGREEMENTS

- (1) These procedures apply to area offices, campuses and Automated Collection System (ACS) Call sites. Directors will designate employees responsible for specified inputs at a central location, or at the group, team, or unit level. Responsible functions must be continuously available to receive telephonic requests for input of TC 971, Action codes 043 & 063, during core business hours. Requested transaction codes must be input to IDRS immediately upon the request of contact employees.
- (2) **For Pending Agreements:**
 - a) Request TC 971 Action Code 043 be input to IDRS on ALL modules for which the taxpayer is liable within 24 hours.
 - b) If there are tax modules (accounts) that are not on IDRS (But are on Masterfile), request input of TC 971 AC 043 separately on these.
 - c) Do not input TC 971 AC 043 for immediately approved agreements. (See "Approved Agreements" below.)
- (3) **For Approved Agreements:**
 - a) Request that TC 971 Action Code 063 be input to IDRS on ALL modules for which the taxpayer is liable.
 - b) For the purpose of this sub-section, approved agreements are only those agreements that are approved on the date the agreement is requested.
 - c) If agreements are immediately approved there is no need to input TC 971 AC 043 for the period of time between the request for the agreement and the time it is approved.
- (4) **For Rejected Proposals/Appeals:**
 - a) Request reversal of TC 971 AC 043 forty-five (45) days after the rejection is communicated to the taxpayers, unless during the 30 day period the rejection is appealed.
 - b) During appeals, TC 971 AC 043 remains on all modules included in the proposed installment agreement.
 - c) If Appeals sustains rejections, input TC 972 AC 043 (if 30 days have passed) or 30 days after rejection is communicated to taxpayers.
 - d) If Appeals grants installment agreements, follow the procedures above for approved agreements.
- (5) **For Defaulted and Terminated Agreements:**
 - a) IDRS:
 - systemically reverses TC 971 AC 063 when there is a change from status 6X to any Masterfile status other than Status 26. This systemic reversal excludes the following types of I/AS: IBTF-Express, IBTF-IA, DDIA IBTF- Express, and DDIA IBTF-IA.
 - generates TC 971 AC 163 to reverse TC 971 AC 063.
 - b) Status 64 on IDRS remains in status 60 on the Masterfile for thirteen cycles. This provides taxpayers levy protection.
 - c) During the first 30 days of Status 64 taxpayers may appeal proposed terminations to the Appeals Division.
 - d) Taxpayers may also appeal terminations of agreements for 30 days from the date agreements are terminated. (See IRM 5.14.11.3 regarding defaulted and terminated agreements.)
- (6) **Note to ICS Users:** Input of TC 971 ACs 043 and 063 can be generated on ICS using the Installment Agreement menu. These transactions will upload from ICS to IDRS. Any notice accounts or other accounts not in Status 26 should be created on ICS so that the transaction codes can be properly generated.

(7) The following transaction/action codes identify — and reverse identification of — pending and active installment agreements:

Transaction Code Action Code Definition

971	043	Identifies pending installment agreement.
972	043	Reverses identification of pending installment agreement (reverses TC 971 AC 043).

971 063 Identifies active installment agreement.
 971 163 Input to reverse identification as Active Installment Agreement (reverses all TC 971 AC 063s).
 972 063 Input to reverse identification as Active Installment Agreement when TC 971 AC 063 was input in error.

(8) Status 60, TC 971, IDRS, Master File (MF) interface information:

- a) TC 971 AC 043 must be manually requested for input to IDRS for pending agreements.
- b) TC 971 AC 063 is generated by status 60, or may be manually input to IDRS.
- c) Any change from 6X (60, 61, 64) to any Masterfile status other than Status 26 generates TC 971 AC 163.
- d) Status 64 **DOES NOT** generate TC 971 AC 163. While accounts are in IDRS status 64, they remain in MF status 60. (See (5) above.)
- e) When TC 971 AC 163 is input, in addition to reversing TC 971 AC 063, it reverses TC 971 AC 043 (if a TC 971 AC 043 is present).
- f) If TC 971 AC 063 is not present, use TC 972 AC 043 to reverse TC 971 AC 043.
- g) TC 972 AC 063 reverses an erroneous input of TC 971 AC 063.

**Exhibit 5.14.1-2
 Installment Agreement Locator Numbers — (ALNs)**

INSTALLMENT AGREEMENT LOCATOR NUMBERS

Designate 4 digit ALNs to identify installment agreements by type and originator. The XX Position (first two digits) denotes either "Initiator" or "Agreement Type." XX values are:

- 00 Form 433–D initiated by AO on an ACS case
- 01 Customer Service Toll-Free initiated agreements
- 02 AO Field Territory (revenue officer) initiated agreements
- 03 Direct Debit agreements initiated by any function
- 06 Exam initiated agreements
- 07 Submission Processing initiated agreements
- 08 Agreements initiated by other functions
- 11 Form 2159 (Payroll Deduction Agreement) initiated by any AO, ACS or Customer Service
- 12 AO or ACS agreement with multiple conditions
- 20 Status 22/24 accounts — Call Site/CSCO
- 90 CSCO initiated agreements — other than status 22 or 26
- 91 Form 2159 agreement initiated by CSCO
- 92 CSCO agreement with multiple conditions
- 99 Up to 120 day extensions (NOT FOR FIELD)

The YY Position (second two digits) denotes "Agreement Conditions." YY values are:

- 08 Continuous Wage Levy (From ACS and RO)
- 09 All other conditions
- 12 Partial Payment Installment Agreement (PPIA) all functions
- 15 In-Business Trust Fund (IBTF) monitoring required for all functions
- 27 Restricted Interest/Penalty Condition Present
- 32 Unassessed modules to be included in agreement
- 36 Streamlined agreements
- 41 BMF IN Business Deferral Level (CSCO USE ONLY)
- 53 Report Currently Not Collectible if agreement defaults
- 63 Cross-Reference TIN (Status 63)
- 66 File Lien in event of default
- 70 Secondary TP responsible for Joint Liability
- 80 Review and revise payment amount
- 99 Full Payment Request; this is not an installment agreement (NOT FOR FIELD)

If more than one condition exists, ICS will systemically use 12 in the XX position: **Exception:** When any DDIA IA selection is made regardless of any other YY choices, ICS will systemically use 03 in the XX position.

- 1) 63 (XREF TIN)
- 2) 12 (PPIA)
- 3) 53 (CNC)
- 4) 32 (UNASSESSED MODULE)
- 5) 15 (IBTF)
- 6) 27 (Restricted Interest/Penalty Condition Present)
- 7) 36 (Streamlined)
- 8) 66 (File lien in event of default)
- 9) 70 (Secondary TP responsible for joint liability)
- 10) 80 (Review and revise payment amount)

The highest priority value will be used for the YY indicator. If multiple conditions exist, and one of the above conditions is used in the YY position, all other selected values will be systemically written in the *Additional Conditions* section of the Form 433-D and in the ICS history. This information will NOT be included in the additional conditions section of the taxpayer's letter (L2850 or L2849). The cross-reference TIN information will be printed on the letter.

**Exhibit 5.14.1-3
 Waiver of Restriction of Levy During a Pending or Active Installment Agreement**

This image is too large to be displayed in the current screen. [Please click the link to view the image.](#)

**Exhibit 5.14.1-4
 Installment Agreement Originator Codes**

20	Collection field function regular agreement
21	Collection field function streamlined agreement
30	Reserved

31	Reserved
50	Field assistance Counter regular agreement
51	Field assistance Counter streamlined agreement
60	Examination regular agreement
61	Examination streamlined agreement
70	Toll-free regular agreement
71	Toll-free streamlined agreement
72	Paper regular agreement
73	Paper streamlined agreement
74	Voice response unit (system generated)
75	Automated Collection Branch Regular
76	Automated Collection Branch Streamlined
77	Automated Collection Branch voice response unit regular (system generated)
78	Automated Collection Branch voice response unit streamlined (system generated)
80	Other function regular agreement
81	Other function streamlined agreement
82	Electronic Installment Agreement (e-IA) - AM
83	Electronic Installment Agreement (e-IA) - ACS
90-91	Reserved for vendors-all streamlined agreements

**Exhibit 5.14.1-5
Installment Agreement Table**

	Guaranteed (IMF Only)	Streamlined	Streamlined (2)	IBTF Express	IBTF Express (2)	IBTF	Routine	Partial Payment
Amount	\$10,000 or less	\$25,000 or less	\$25,001 - \$50,000	\$10,000 or less	\$10,001 - \$25,000	Any Amount	Any Amount	Any Amount
Type of Tax	IMF Income Tax Only	IMF, BMF Income , OOB BMF	IMF, OOB Sole Proprietor	BMF Trust Fund	BMF Trust Fund	BMF Trust Fund	IMF, BMF Income, BMF OOB	Any
Payment Terms	Full pay in 3 years including accruals	Greater of UBA divided by 72 or full pay by CSED	Greater of UBA divided by 72 or full pay by CSED	Full Pay in 24 months including accruals	Full Pay in 24 months including accruals	Full Pay by CSED	Full Pay by CSED	None (Determine if CSED extension is appropriate)
CIS Required	No	No	No*	No	No	Yes**	Yes	Yes, Financial Review every 2 years
Lien Determination Required	No	No	No	No	No	Yes	Yes	Yes
TFRP Determination	NA	No	No	No, but protect ASED***	No, but protect ASED***	Yes	Yes, If applicable	Yes, If applicable
DDIA Required	No	No	Yes	No	Yes	No	No	Yes if IA default in past 12 months
Extend CSED?	No	No	No	No	No	No	No	Up to 5 years plus 1 year if appropriate
Must View Assets	No	No	No	No	No	Yes	Yes	Yes
Managerial Approval	No	No	No	Yes	Yes	Yes	Yes	Yes
Reference	IRM 5.14.5.3	IRM 5.14.5.2	IRM 5.14.5.2	IRM 5.14.5.4	IRM 5.14.5.4	IRM 5.14.7	IRM 5.14.9	IRM 5.14.2
User Fees for all IAs: Origination \$120 Direct Debit \$52 Low Income \$43 Reinstatement \$50								

- * Verification of ability to pay using SLIAC/CIS is not required unless the taxpayer has defaulted an IA for missed payments in the past 12 months
- ** Verification is not required for IBTF IAs up to \$25,000 that will full pay within 60 months (IRM 5.14.7.4(6))
- *** Outstanding liabilities only include current and prior year liabilities and the IA will full pay all liabilities within 24 months.

To identify accounts as a Pending installment agreement, the taxpayer must:

- Provide sufficient information to identify the taxpayer
- Identify the liability to be covered by the installment agreement
- Propose a monthly or other periodic payment of a specified amount
- Be in compliance with all filing requirements
- If taxpayer is identified as a BMF pyramider, must be in compliance with all FTD requirements.



Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 2. Partial Payment Installment Agreements and the Collection Statute Expiration Date (CSED)

5.14.2 Partial Payment Installment Agreements and the Collection Statute Expiration Date (CSED)

- 5.14.2.1 [Overview](#)
- 5.14.2.2 [Collection Statute Expiration Date \(CSED\): Law, Policy and Procedures](#)
- Exhibit 5.14.2-1 [CSED Extension and Suspension Example](#)

Manual Transmittal

December 18, 2015

Purpose

(1) This transmits a topic based revision to IRM 5.14.2, Installment Agreements, Partial Payment Installment Agreements and the Collection Statute Expiration Date (CSED) to incorporate procedural changes based on ACA provision 1501 and to replace references to using Decision IA/ICOMP with IAT Compliance Suite Payment Calculator for determining the length of installment agreements.

Material Changes

- (1) This IRM has only been updated for the Affordable Care Act (ACA) Provision 1501: Requirement to Maintain Minimum Essential Coverage (Individual Shared Responsibility) (IRC §5000A and references to the use of Decision IA/ICOMP). Content unrelated to these two items were not reviewed for currency or accuracy.
- (2) IRM 5.14.2.1.3(1) Updated note directing employees not to include Affordable Care Act, Shared Responsibility Penalty modules (MFT 35) to Form 900 waivers to add Mirrored MFT 65 assessments to the exclusion to Form 900.
- (3) IRM 5.14.2.2 (2) Replace reference to using ICOMP/Decision IA with the IAT Compliance Suite Payment Calculator
- (4) IRM 5.15.2.2 (13) c) Replace reference to using Decision IA with the IAT Compliance Suite Payment Calculator

Effect on Other Documents

This material supersedes IRM 5.14.2, dated December 09, 2015.

Audience

SB/SE Collection Employees

Effective Date

(01-01-2016)

Kristen Bailey, Director, Collection Policy

5.14.2.1 (03-11-2011)

Overview

1. All taxpayers are expected to immediately full pay delinquent tax liabilities. When this is not possible taxpayers may be allowed to pay their liabilities over a prescribed period of time. If full payment cannot be achieved by the Collection Statute Expiration Date (CSED), and taxpayers have some ability to pay, the Service can enter into Partial Payment Installment Agreements (PPIAs). The American Jobs Creation Act of 2004 amended IRC 6159 to provide this authority.
2. Before a PPIA may be granted, equity in assets must be addressed and, if appropriate, be used to make payment. In some cases taxpayers will be required to use equity in assets to pay liabilities. However, as discussed below, complete utilization of equity is not always required as a condition of a PPIA. Consider levy or seizure in accordance with IRM 5.10, *Seizure and Sale*, and IRM 5.11.1.1.2, *Notice of Levy Overview* if there is significant equity in assets. If enforcement action is appropriate, a PPIA will not be granted. Follow rejection procedures in IRM 5.14.1.3, *Securing Installment Agreements* and IRM 5.14.9.7, *Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals*. In cases where PPIAs are granted after consideration of levy or seizure, document the case file as indicated in IRM 5.14.2.1.2(6).

5.14.2.1.1 (09-19-2014)

Partial Payment Installment Agreement Requirements

1. A full Collection Information Statement is required for all PPIAs. Forms 433A and/or Form 433B must be completed to determine the taxpayer's ability to pay (refer to IRM 5.15.1.7, *Allowable Expense Overview*, to determine allowable expenses.)
2. For all IMF accounts with an Unpaid Balance of Assessment (UBA) less than or equal to ≡ ≡ ≡ ≡ ≡, compare the current year income information provided by the taxpayer to the income on the last filed return using Command Code (CC) IRPTR and at least one of the following:
 - A. RTVUE
 - B. TRDBV
 - C. Current year tax return

In addition, compare assets included on the financial statement to the results of information secured via these CCs>Returns. If the current year income has decreased 20% or more from the last filed return income or assets are identified that were not disclosed on the financial statement, discuss and/or resolve any discrepancy with the taxpayer and document the case history. Do not request substantiation if the taxpayer can provide a reasonable explanation.

3. For IMF accounts with a UBA above $\equiv \equiv \equiv$, or if there is significant equity that cannot be liquidated, the following minimum verification is required: Real property records, Department of Motor Vehicles (DMV), personal property, full credit report, AMDIS when there is a -L freeze on the account indicating open examination activity, RAR or SAR if the assessment originated in Examination or Criminal Investigation.
4. Conditional expenses not determined to be necessary are not allowed for PPIAs. Only necessary expenses are permitted. When taxpayers need to adjust above allowable expenses, the minimum time necessary should be provided. See IRM 5.15.1, *Financial Analysis Handbook*, for a discussion of necessary, conditional and other expenses and when exceptions may be appropriate.
5. For in-business trust fund accounts, use the guidelines in IRM 5.14.7.4(7), *In-Business Trust Fund Installment Agreements Requiring Financial Analysis and Determining Ability to Pay* , which state that at a minimum you should:
 - A. Verify income and expenses. Use bank statements to verify both income and expenses;
 - B. Request documentation if assets, liabilities, expenses or income appear questionable;
 - C. Complete record checks to determine ownership and equity in real and personal property, including motor vehicles;
 - D. If appropriate, request that taxpayers sell assets or borrow on equity in assets in order to make payment on the delinquent taxes;
 - E. As noted in IRM 5.14.7.2(1)(b), *Summary of Agreement Criteria for Business Accounts* , ensure that the taxpayer has the ability to pay current taxes as well as operating expenses and pay delinquent taxes.

Note:

ICS will not allow closing a case as an IBTF-IA PPIA (No Asset) with a back up Form 53. If the IA defaults, it must come back out for financial review before it can be placed in CNC status.

Note:

Because the installment agreement will not fully satisfy the liability, the Trust Fund Recovery Penalty (TFRP) will usually be assessed. As the potential exists for the taxpayer to accrue additional liabilities, the RO needs to ensure the ASED is extended on accounts in which the trust fund balance is below the amount in IRM 5.7.4.1, *Determination to Pursue and Recommend Assessment of the TFRP*. IRM 5.7.4.8.1, *Considerations for In-Business Installment Agreements*, provides guidance that the RO can request a signature on Form 2750, Waiver Extending Statutory Period for Assessment of Trust Fund Recovery Penalty, from all potentially responsible persons to extend the statute to the expected end-date of the agreement plus one year. For PPIAs, this date will be the expected CSED expiration.

6. For out-of-business trust fund accounts, use the guidelines in IRM 5.14.7.4.1(13), *Trust Fund Recovery Penalties and Installment Agreements* .

Note:

Because the underlying liability will not be fully paid, the TFRP will usually be assessed. The only exception to this requirement is in circumstances in which there is no collection potential from the responsible officers.

7. The taxpayer must agree to pay the maximum monthly payment based upon the taxpayer's ability to pay. Taxpayers entering PPIAs who have defaulted an IA in the past 24 months will be required to make monthly payments via DDIA or PDIA unless they are unbanked and unemployed/self employed. If this is not possible, a PPIA may still be granted. The reason that a payroll deduction or direct debit agreement could not be secured must be documented in the case history.
8. Make a lien filing determination or ensure that a Notice of Federal Tax Lien (NFTL) was previously filed on all aggregate liabilities with a UBA greater than $\equiv \equiv \equiv$. Follow NFTL procedures in IRM 5.12.2.4, *Determination Criteria for Do-Not-File or Deferring the NFTL Filing* .
9. The Campus will refer cases for revenue officer assignment in some situations. See IRM 5.14.2.1.7.

5.14.2.1.2 (09-19-2014)

Asset Equity and Partial Payment Installment Agreements

1. **No Asset/No Equity Cases:** A PPIA may be granted if a taxpayer has no assets or equity in assets; or has liquidated available assets to make a partial tax payment.
2. **Asset Cases:** A PPIA may be granted if a taxpayer does not sell or cannot borrow against assets with equity because:

- A. the assets have minimal equity or the equity is insufficient to allow a creditor to loan funds;

Example:

some lenders require equity of greater than 20% of property value in order to grant the loan.

- B. the taxpayer is unable to utilize equity;

Example:

the property is held as a tenancy by the entirety when only one spouse owes the tax and the non-liable spouse declines to go along with the attempt to borrow, and the property does not appear to have been transferred into the tenancy to avoid the tax collection.

- C. the asset has some value but the taxpayer is unable to sell the asset because it is currently unmarketable;

Example:

the business taxpayer owns a vacant lot in a high-value area, but the lot cannot be sold until it meets certain environmental regulations

- D. the asset is necessary to generate income for the PPIA and the government will receive more from the future income generated by the asset than from the sale of the asset;

- E. it would impose an economic hardship on the taxpayer to sell property, borrow on equity in property, or use a liquid asset to pay the taxes. Economic hardship is defined in 26 C.F.R. 301.6343-1 as not meeting reasonable basic living expenses. Assets necessary for the production of income should also be included in the definition of economic hardship.

Example:

the taxpayer is on a fixed income, such as social security, and has the ability to make small monthly payments. The only other asset is the taxpayer's primary residence and there is equity in the property. The revenue officer does a risk analysis and determines that seizing the property would cause an economic hardship because the taxpayer cannot find suitable replacement housing and meet necessary living expenses if the property would be seized.

- F. the taxpayer's loan payment would exceed the taxpayer's disposable income and they would not qualify for a loan.

- G. the revenue officer should document the case history with the basis for requiring the liquidation of equity in an asset and that it won't create an economic hardship.

Note:

See IRM 5.15.1.10, *Other Expenses* for additional information regarding necessary expenses.

3.) When financial analysis indicates that borrowing against or selling property should be attempted, the taxpayer will normally be required to make a good faith attempt to utilize equity before the Service will approve a PPIA. This includes applying normal business standards when applying for loans using equity as collateral. Taxpayers will also be required to submit copies of all documents that are used in the loan application process.
4. If the taxpayer does not comply with the requirement of making a good faith attempt to use equity in assets or is not willing to make monthly payments consistent with ability to pay, the taxpayer will be considered a "won't pay" and seizure/levy action may be appropriate. If enforcement action is appropriate, a PPIA will not be granted. If the taxpayer is in pending IA status, follow rejection procedures in sections 5.14.1.3, *Identifying Pending, Approved and Rejected Installment Agreement Proposals on IDRS*, and 5.14.9.3, *IDRS Monitoring*. The case history should be documented with a statement as to why the PPIA was not granted.
5. If the taxpayer is unable to secure a loan or liquidate an asset following a good faith attempt to do so, the revenue officer will need to make a seizure/levy determination (see IRM 5.10.1.3, *Actions Required Prior to Seizure by IRC 6331(j)*).
6. If it has been determined that enforcement action is not appropriate, a PPIA can be granted. The case history should be documented as follows: "Seizure (or levy) of **(name of asset)** has been considered, but it is not the appropriate resolution because **(provide reason)**".

5.14.2.1.3 (01-01-2016)

Waiver Procedures for Partial Payment Installment Agreements

1. Consider securing a waiver with a PPIA where there is an asset that will come into the possession of a taxpayer after the CSED and liquidation of that asset offers the best case resolution (in lieu of liquidating existing assets to partially pay the liability).

Note:

Do not include any Affordable Care Act individual shared responsibility payment liabilities (MFT 35/Mirrored MFT65) on the waiver.

Example:

The taxpayer owes individual income tax and is the beneficiary to a trust. The taxpayer will receive a monthly distribution from the trust that would be used to fund the PPIA. The taxpayer will not be entitled to the principal of the trust for two more years. The CSED will expire in one year. The only other asset is the taxpayer's primary residence. The equity in the property is less than the net value of the trust but is available for immediate collection action. The taxpayer has been unable to secure a loan against the equity of the property due to numerous factors such as limited income and poor credit. The risk analysis was completed by the revenue officer and the taxpayer offered to extend the statute and to liquidate the trust in two years. The waiver was secured for two additional years.

Example:

A corporation taxpayer cannot pay its payroll tax liability within the CSED. It can make partial payments for the remaining CSED period. The corporation is current with its federal tax deposits. The corporation has an interest in undeveloped real estate which is under development and will be completed in two years. The land once developed would increase significantly in value and will be immediately sold. The CSED will expire in one year. Seizing and selling the assets of the business which would include the vacant land and construction equipment would not significantly reduce the liability and would impact the business's ability to complete the development of the property. The corporate officers offer to extend the statute to provide the opportunity to complete the development and pay the taxes along with other business debts. The trust fund recovery penalty will be addressed per IRM procedures.

2. A waiver is no longer required to be secured when the taxpayer's only ability to satisfy the tax liability after the CSED expiration is through a continuation of the installment agreement and there is no significant change in ability to pay as identified through the two year financial review process.

Example:

The taxpayer cannot pay the liability within the CSED but can make monthly payments. The statute will expire in twelve months. The taxpayer has no distrainable assets. The taxpayer owes \$1,800 and can pay \$100 per month. Secure a PPIA for twelve months and no waiver is required. The statute would be allowed to expire.

Example:

The individual taxpayer cannot pay the liability within the CSED but can make monthly payments. The statute will expire in three years. The taxpayer owns real property with minimal equity and they cannot borrow against the equity. The taxpayer owes \$10,000 and can pay \$200 per month. Secure a PPIA for three years and no waiver is required. There will be a two year financial review conducted. If there is no significant change in ability to pay, the payment amount will remain unchanged until the statute expires. A waiver could not be secured during the two year financial review process unless the taxpayer's financial condition has improved, the agreement is terminated, and a new one is granted.

Example:

The taxpayer is likely to have a significant change in their ability to pay based on a foreseeable event, but the taxpayer refuses to sign a waiver. Secure a PPIA and note the case history with respect to the likely improvement in financial condition. This issue will be considered during the 2 year financial review.

3. The waiver can only be secured at the inception of the PPIA and not during the two year review process, unless a new PPIA is executed at that time. A waiver should not be obtained at the time the PPIA is reinstated. The length of the extension must be based on the time that it will take to make payments and cannot exceed five years plus one year to provide for other administrative actions.

Note:

Do not secure waivers on installment agreements except on PPIAs as stated in IRM 5.14.2.1.3.

4. When a Form 900, Tax Collection Waiver, is secured, the CSED must be updated on ICS for all periods that are extended by the waiver by:
 - A. Selecting the module to be updated; then
 - B. Select <MODULE DETAIL>, <UPDATE MODULE DATE>, and <NEW IDRS CSED DATE (TC 550)>; and then
 - C. Update the CSED date, and
 - D. Select the appropriate definer code from the drop down list. For FS 2 (married filing joint) modules, selection of Definer Code 01 (Form 900), will generate a prompt to input "Waiver Signed Date" and "Waiver Secured for" information (Primary, Secondary or Both). Update as appropriate.
 - E. Click "Save" to save your information.

5.14.2.1.4 (09-19-2014)

Preparing Partial Payment Installment Agreements for Approval and Processing

1. Ensure the taxpayer is in compliance with filing, withholding, federal tax deposit and estimated tax payment requirements (see IRM 5.14.1.4.1, *Compliance and Installment Agreements*).

2. Document ICS with the justification for the PPIA as the best case resolution.
3. Include all balance due accounts for which the taxpayer is liable, including pre-assessed modules.

Note:

For assessments in the name and EIN of a Limited Liability Company where the identity of the liable taxpayer changes for different tax periods, follow the procedures in IRM 5.14.7, *BMF Installment Agreements* when establishing the installment agreement.

4. Use installment agreement closing option A (preferable method) or B on ICS.
5. Agreement Locator Numbers (ALNs) are four digit codes (XXYY) that indicate specific types of processing will occur at the Campus level. ICS selects the proper ALN for PPIAs.
6. For PPIAs granted to taxpayers whose accounts are not on ICS, choose the proper ALN for PPIAs as follows:
 - A. use ALN "12" in the "YY" position of the ALN;
 - B. generally use "02" in the "XX" position unless one of the conditions in Exhibit 5.14.1-2 or in the chart below, are present;
 - C. generally use "12" in the "XX" position of the ALN for multiple condition PPIAs (see table below for exceptions, including for Direct Debit and Payroll Deduction Agreements).

Type of PPIA	ALN
PPIA with no other conditions	0212
PPIA with pre-assessed module	1212 If other conditions exist ICS will systemically assign the highest priority value for the YY indicator based on the priority list found in IRM Exhibit 5.14.1-2, <i>Installment Agreement Locator Numbers — (ALNs)</i> . All other selected values will be systemically written in the Additional Conditions section of the Form 433-D and in the ICS history. This information will NOT be included in the taxpayer's letter. 0312
Note:	
Direct Debit PPIA	"03" must be used in the "XX" position for Direct Debit IAs. If other conditions exist ICS will systemically assign the highest priority value for the "YY" indicator based on the priority list found in Exhibit 5.14.1-2, <i>Installment Agreement Locator Numbers — (ALNs)</i> . All other selected values will be systemically written in the Additional Conditions section of the Form 433-D and in the ICS history. This information will NOT be included in the taxpayer's letter. 1112
Note:	
Payroll Deduction PPIA	"11" must be used in the "XX" position for Payroll Deduction IAs. If other conditions exist ICS will systemically assign the highest priority value for the "YY" indicator based on the priority list found in IRM Exhibit 5.14.1-2, <i>Installment Agreement Locator Numbers — (ALNs)</i> . All other selected values will be systemically written in the Additional Conditions section of the Form 433-D and in the ICS history. This information will NOT be included in the taxpayer's letter. 1212
Note:	
Report Currently Not Collectible if PPIA defaults	If other conditions exist ICS will systemically assign the highest priority value for the "YY" indicator based on the priority list found in IRM Exhibit 5.14.1-2, <i>Installment Agreement Locator Numbers — (ALNs)</i> . All other selected values will be systemically written in the Additional Conditions section of the Form 433-D and in the ICS history. This information will NOT be included in the taxpayer's letter.

7. Review Suppress Indicators (RSI) instruct Campuses to reissue installment agreements under certain conditions after the two year review. ICS selects the proper RSI for PPIAs granted using ICS, however for PPIAs granted to taxpayers whose accounts are not on ICS, use RSI "5" and choose a review cycle two years in the future.

Example:

If the current date is February 14, 2015, choose the review cycle that contains that date in the year 2017 (201707).

8. Mark the top of the Installment Agreement form (Form 433D), in red as "PPIA".
9. If a Form 900 is secured in conjunction with a PPIA, a copy of the installment agreement and the original Form 900 will be sent to CCP using a **manually** prepared Form 3210 to:

Internal Revenue Service
2970 Market Street
Mail Stop 5-E04.114
Philadelphia, PA., 19104

10. The original Form 900 must be maintained for the length of the extension. (See IRM 5.14.2.2.1(2)).
11. If Option B on ICS is used to close the case as a PPIA, use the systemically generated Form 3210 to route the agreement to the appropriate Mail Stop at CCP. Closed case files should be routed to CCP at Mail Stop 5-E04.115.

**5.14.2.1.5 (09-19-2014)
Group Manager Approval of Partial Payment Installment Agreements**

1. All PPIAs require managerial approval. The group manager must review these cases to ensure that they reflect the following documentation:

- thorough analysis of financial statement(s)
 - consideration of other available and appropriate means of collection including, but not limited to liquidation of assets, levy, and offer in compromise
 - the rationale for allowing the taxpayer to retain assets with equity
 - the RO did not ask the taxpayer to take actions that put him or her into a hardship situation
2. If a manager does not believe that the PPIA is the appropriate resolution follow the procedures in IRM 5.14.9.7, *Independent Administrative Review after Recommended Rejection of Installment Agreement Requests*. The case history should be documented with a statement as to why the PPIA was not granted.

Note:

Managers must approve PPIAs that Appeals has decided to grant and forwarded to the Field for processing.

**5.14.2.1.6 (09-19-2014)
Referrals from Campus**

1. If taxpayers have assets and request PPIAs from campus functions (including ACS) and meet the equity thresholds provided below, cases will be transferred for revenue officer assignment. (See IRM 5.19.1, *Balance Due*, for Campus procedures.)

Note:

Campus employees will request that assets be liquidated; cases will only be transferred after taxpayers do not borrow upon or sell assets after requested to by campus employees.

2. These referrals from campus will be subcoded on ICS depending on where the case originated:

- ICS Sub code 904: POTENTIAL SIGNIF EQTY – FRM CAMPUS
- ICS Sub code 903: POTENTIAL SIGNIF EQTY – FRM ACS

3. Significant Equity Thresholds Used By Campus for Transfers to Revenue Officers:

- For property values **up to** \$100,000 and equity of at least \$100,000; or
- For property values of \$100,000 **or greater** and equity of at least \$100,000; **and**, the equity represents at least 30% of the value of the property.

**5.14.2.2 (01-01-2016)
Collection Statute Expiration Date (CSED): Law, Policy and Procedures**

1. The American Jobs Creation Act of 2004 amended IRC 6159 to provide the authority for the Service to enter into partial payment installment agreements (i.e., installment agreements that do not provide for full payment of the liabilities). If full payment cannot be achieved by the Collection Statute Expiration Date (CSED), and taxpayers have some ability to pay, the Service can grant Partial Payment Installment Agreements (PPIAs). IRC 6502(a)(2)(A) provides that statutory periods for collection may be extended in connection with granting installment agreements. CSED extensions are permitted only in conjunction with PPIAs and only in certain situations (see IRM 5.14.2.1.3). CSED extensions are limited to five (5) years beyond the original CSED (and where applicable, any previous extensions due to statutory suspension of the CSED) for each tax account (plus up to one year – see IRM 5.14.2.2(8)). Group Managers must approve CSED extensions. (See IRM 5.14.2.2(19). If the taxpayer enters into more than one PPIA, the CSED may be extended more than once for each balance due account as specified by IRM 5.14.2.2(7).

2. Be aware of the CSED when granting installment agreements. Use the IAT Compliance Suite Payment Calculator to verify that the agreement will fully pay all liabilities for which the taxpayer is liable prior to the CSED and include a copy with the case file. If the projected date for full payment is prior to the CSED the agreement may be approved. If the projected date for full payment is not prior to the CSED a Partial Payment Installment Agreement may be considered (see IRM 5.14.2.1).

3. When working CSED issues pertaining to International cases, taxpayers residing outside of the United States and Commonwealth Territories, or taxpayers who may have lived outside the United States for the applicable length of time since assessment and are now living back in the United States, refer to IRM 5.1.19.3.7, *Collection Statute Expiration, Taxpayer Living Outside United States*, for processing procedures.

4. The Internal Revenue Service limits the length of installment agreements to the 10-year statutory collection period except in connection with PPIAs.

A. IRC 6502(a)(2)(A) provides that statutory periods for collection may be extended in connection with the granting of an installment agreement. CSED extensions are permitted only in conjunction with Partial Payment Installment Agreements in certain situations (See IRM 5.14.2.1.3).

B. On March 9, 2002, the Job Creation and Worker Assistance Act amended Internal Revenue Code (IRC) 6331(k)(3) by referencing IRC 6331 (i)(5) to state the statute of limitations for collection (CSED) is suspended for an installment agreement during these timeframes: (a) proposed installment agreement is pending; (b) thirty days following the rejection of an installment agreement; (c) thirty days following termination of an installment agreement; and (d) during any appeal of the termination or rejection of the installment agreement.

C. The systemic suspension of the CSED during the time a proposed IA is pending is built into Masterfile (MF) processing and is triggered by the TC971 AC043, TC972 AC043 or TC971 AC063, and TC 971 AC 163 (as applicable) dates. No TC550 posts to Masterfile. The suspension systemically updates the CSED field on IDRS.

5. Do not secure CSED waivers on non-PPIA agreements. Generally, do not secure waivers on PPIAs; however, a Form 900 waiver may be secured only in connection with partial payment installment agreements that extend beyond the CSED in certain situations (see IRM 5.14.2.1.3).

6. CSEDs may *not* be extended *during* installment agreements. CSEDs *may* be extended only in connection with *new* PPIAs after mailing CP 523 or Letter 2975, during the default period if a *new* PPIA is entered into (not a reinstatement), or after agreements are terminated. (See IRM 5.14.2.2(15)). CSED waivers may be secured for any or all of the balance due accounts:

- included in the original agreement; and
- not included in the original agreement.

(See IRM 5.14.2.2(17) and IRM 5.14.9.2(7) regarding the manner in which a "new" agreement can include the balances due in an "old" agreement; and IRM 5.14.11.7 regarding defaults, terminations and CSED extensions.)

7. If the taxpayer enters into more than one PPIA, the period for collection may be extended in connection with each PPIA so long as the total of the extensions for each balance due account is not longer than 5 years from the original CSED, plus the periods described in IRM 5.14.2.2(8) through (10).

Note:

Approve CSED waivers in connection with new PPIAs only.

8. Extensions of the statutory period for collection are limited to no more than five years, plus up to one year to account for changes in the agreement. (See IRM 5.14.2.2(10).)

9. Prior *suspensions* of CSEDs due to offers in compromise or legal proceedings do *not*:

- bar *extensions* of CSEDs with PPIAs,
- *change the length of extensions* beyond the limits provided in this section.

Therefore, CSED suspensions may result in longer periods for collection than provided otherwise by this section (as illustrated in Exhibit 5.14.2–1). For example, the CSED is suspended:

- while the IRS and the Office of Appeals consider a request for an installment agreement or an offer in compromise
- from the date the taxpayer requests a CDP hearing until Appeals issues a CDP Notice of Determination or, if the taxpayer seeks review in the Tax Court, until the Tax Court's decision becomes final, including appeals to a United States Court of Appeals
- from the date the taxpayer requests innocent spouse relief until a final Notice of Determination is issued or, if the taxpayer seeks review in the Tax Court, the date the Tax Court decision becomes final and for 60 days thereafter. If, however, the taxpayer appeals the Tax Court's decision to a United States Court of Appeals, the collection period will begin to run 60 days after the filing of the appeal unless a bond is posted with the appeal
- for tax periods included in a bankruptcy while the automatic stay is in effect, plus an additional six months

Example:

The IRS is unable to collect for 6 months while the taxpayer is in bankruptcy and the automatic stay is in effect. Thus, the period for collection is suspended for 12 months under IRC sec. 6503(h). After adjusting the CSED to reflect the bankruptcy, the CSED may still be extended by agreement for a period of five years if there is a partial payment installment agreement and the other criteria for securing a Form 900 waiver have been met.

See IRC section 6503 for other examples of situations that suspend the CSED.

10. All tax modules for which the taxpayer is liable must be included in extension calculations on CC ICOMP. (See IRM 5.14.2.2(13) regarding ICOMP calculations.) Extensions will be calculated from the *latest* CSED balance due account modules, but the waiver extends the CSED for all assessments on the tax module. On accounts with multiple CSED dates determine if the earliest CSED is still valid. To verify to CSED consider using the CCalc found at <http://mysbse.web.irs.gov/Collection/toolsprocesses/csedcalculator/ccalc/default.aspx>. If a TC534 with a 0 or dollar amount appears on the module the CSED has expired for the associated CSED. Do not include this amount in your calculations. If there is more than one assessment on tax modules, and part of the balance due is from the earlier assessment(s), list these assessment dates on the waiver, along with the latest assessment date.

Note:

This may result in extensions *longer* than six years for parts of some balance due tax modules.

11. All tax modules for which the taxpayer is liable may be combined on one Form 900. Ensure it is clear which tax periods and assessment dates correspond to which CSEDs on the form.

Note:

For liabilities assessed in the name and EIN of an LLC, different entities may be identified as the liable taxpayer for different tax periods. Ensure that only those tax periods included in the PPIA are listed on the Form 900 waiver.

12. Form 900 Waiver will only be executed in connection with PPIAs. (See IRM 5.14.2.1.3 for additional information.) Use IDRS CC ICOMP to determine payment schedules, and share the results of ICOMP with the taxpayers. Provide taxpayers with information regarding the manner in which penalty and interest are computed.
13. Using CC ICOMP, two methods – described in (a) and (b) immediately below – may be used for determining the length of CSED extensions. For both methods:
- Include all tax modules in the computation;
 - Compute the extension separately for each module;
 - Begin the computation using the module with the earliest CSED; and,
 - Add additional modules to the computation until all are included.

Method (A) provides for computation of separate CSEDs for each module. Method (B) provides for extending CSEDs to one date for all modules.

A. Method (A) – Extend CSEDs on all modules to *separate dates* (for each module) up to one year past the latest CSED on the module, ensuring no CSED extension is longer than five years (plus one year as specified in IRM 5.14.2.2(8)).

B. Method (B): Extend CSEDs to the *same date for all modules*, ensuring no CSED extension is longer than five years, plus one year.

C. CC ICOMP *does not* work on MFT 55, NMF, Status 72, or accounts on which maximum failure to pay penalty has been assessed. For these types of accounts the IAT Compliance Suite Payment Calculator may be used.

14. Form 900 waivers may be requested only with regard to certain PPIAs (See IRM 5.14.2.1.3 for examples where a waiver would be considered).

A. Notify taxpayers they have the right to refuse to sign a waiver.

B. If an installment agreement request is being considered and a taxpayer refuses to sign a waiver, inform the taxpayer the request will be considered and recommended for rejection, then refer the case to the independent administrative reviewer. (See IRM 5.14.9.7(6), *Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals*.)

15. Taxpayers whose agreements were previously terminated, with all appeal timeframes exhausted regarding the termination (see IRM 5.14.11.4, *Defaulted Installment Agreements, Terminated Agreements and Appeals of Proposed Terminations (Defaults), and Terminated Installment Agreements*), may be granted *new* installment agreements (not reinstatements). CSED waivers may only be secured along with new partial payment installment agreements and only in certain situations (see IRM 5.14.2.1.3), even if there were prior extensions of CSEDs.

16. If installment agreements are in default (but 90 days have not passed since issuance of CP 523/Letter 2975, see IRM 5.14.11.4, *Defaulted Installment Agreements, Terminated Agreements and Appeals of Proposed Terminations (Defaults), and Terminated Installment Agreements*) reinstatements may include new periods. (See IRM 5.14.2.2(5) regarding securing waivers with new agreements.)

17. Partial payment installment agreements that extend beyond the original CSED (and where applicable, any previous extension due to statutory suspensions) require group manager approval. Delegation Order 25-2 (Rev. 1) delegates authority to *execute* Form 900 waivers to Collection, Examination and Specialty Programs Field Group Managers; Technical Services and Planning and Special Programs (PSP) Group Managers; GS-11 Revenue Agents or GS-11 Tax Compliance Officers in Technical Services and PSP functions, and Campus Compliance Services Department Managers. See IRM 1.2.52.3, *Delegations of Authority for Special Topics Activities* for delegated authority for other functions. In addition, Delegation Order 25-2 provides authority to *approve* Form 900 waivers to Collection, Examination, Specialty Programs Field Group Managers; Technical Services Group Managers; Insolvency Unit Managers, and Field Compliance Services Department Managers.

Caution:

Approving officials must ensure the procedures in this IRM 5.14.2.2 are followed with regard to approval and processing of Form 900 waivers.

18. Revenue Officers will:

- complete Form 900, including printing the Area Director's name on the line titled "Area Director's name" ;
- print the group manager's name and title in the "By Delegated Representative" block (leaving room for manager's signature);
- submit the Form 900 and agreement together for Group Manager approval.

19. Group Managers, Case Processing Managers or Technical Services Managers will:

- ensure extension computations are accurate when reviewing Forms 900 for approval;
- indicate approval of Form 900 by signing in the "By Delegated Representative" block;
- approve Forms 900 and related installment agreements on the same date.

20. When the Form 900 is approved, update the IDRS CSED date on ICS using the "Update Module Date" section and the TC 550 is uploaded to IDRS.

5.14.2.2.1 (08-05-2010)

Additional CSED Information: Case Transfers To and From Appeals

1. Regardless of the time remaining on CSEDs, timely appeals of installment agreement rejections, terminations, and proposed terminations must be referred to Appeals. When referring balance due accounts with CSEDs that expire within 120 days, notify Appeals of the imminent CSED(s). Cases will not be considered transferred to Appeals unless confirmation of transfer is received, and documented, by the referring function.
2. Appeals will attempt to resolve all issues prior to CSED expiration. If Appeals returns balance due accounts with CSED(s) that expire within 120 days (to referring functions) it will notify the function(s) of the imminent CSED(s). Cases will not be considered transferred to other functions (by Appeals) unless confirmation of transfer is received and documented by Appeals. (See IRM 5.14.9.8, *Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals*, for additional Appeals information.)

5.14.2.2.2 (09-19-2014)

CSED Expiration Legal References: 1.) 90 Day Rule for Installment Agreement CSED Extensions; 2.) Non-Installment Agreement CSEDs

1. CSED extensions based on waivers secured with installment agreements *actually* expire 90 days after the expiration of any period for collection agreed upon in writing by the Secretary and the taxpayer at the time the installment agreement was entered into. (See IRC 6502(a)(2)(A), and Treas. Reg. 301.6502-1(b)(1).) These waivers remain in effect regardless of:
 - A. whether agreements fully pay taxes, and
 - B. lengths of extensions.
2. For CSED extensions/waivers obtained prior to January 1, 2000 and *not* secured with installment agreements, the statutory period for collection will expire on December 31, 2002, or at the end of the original ten year statutory period for collection if after December 31, 2002. (See IRC 6502(a)(2) and 3461(c)(2) of RRA '98).

Exhibit 5.14.2-1

CSED Extension and Suspension Example

EXAMPLE OF EXTENSION AND SUSPENSION OF COLLECTION STATUTE	
Date Tax Assessed:	05-10-2005
Original Collection Statute Expiration Date (CSED):	05-10-2015
CSED suspension and (resulting extension) based on bankruptcy:	3 years (1-5-2006 to 1-5-2009)
CSED after suspension and (resulting extension) based on bankruptcy:	5-10-2018
Maximum CSED extension of 5 years in connection with a partial payment installment agreement plus additional one year for payment skips, etc. See 5.14.2.2(8):	6 years
CSED after suspension (and resulting extension) based on the bankruptcy plus the maximum CSED extension of the partial payment installment agreement plus an additional one year for payment skips, etc.:	5-10-2024

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Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 3. Deadlines and Payments and Requests for Installment Agreements Made to Delay Collection

5.14.3 Deadlines and Payments and Requests for Installment Agreements Made to Delay Collection

- 5.14.3.1 [Setting Deadlines and Receiving Payments](#)
- 5.14.3.2 [Installment Agreement Requests Made to Delay Collection Action](#)

5.14.3.1 (06-12-2009)

Setting Deadlines and Receiving Payments

1. Acceptance of an installment agreement request cannot be conditioned on receipt of a series of payments requested (or pledged voluntarily) prior to the granting of an agreement. Therefore, failure to make a requested (or proposed) series of payments is not justification for recommending rejection of proposed installment agreements. *Installment payments* are required only after *installment agreements* are approved. A series of requested payments should not be substituted for an installment agreement if the facts of the case indicate an installment agreement is warranted.
2. The requests for payments discussed in this section will be made if the taxpayer has an ability to pay (based on an analysis of the taxpayer's financial information) and:
 - A. there is no planned resolution for the case; or
 - B. there is a planned resolution, but no payments will result from that planned resolution until a later date; or
 - C. the financial information received from third parties or taxpayers is incomplete or insufficient to determine a disposition for the case but sufficient information exists to request a series of payments; or
 - D. the disposition of an asset or assets necessary to reduce the amount of liability subject to agreements will take time; or
 - E. there is a necessity to verify financial information received thus far, and documentation or information has been requested from the taxpayer; or
 - F. there is a necessity for the taxpayer to file tax return(s) prior to determining eligibility for an installment agreement or other resolution and time will elapse prior to the return filing; or
 - G. the taxpayer plans to make payments or requests to make payments pending final disposition of the case.
3. Request a series of payments when one of the above situations exists if taxpayers are in "balance due" status, including when requests for installment agreements are pending (except when prohibited by stays of collection such as in bankruptcy) unless agreements can be granted immediately. When received, these payments are classified as *requested payments*, not *installment payments*.
4. If installment agreements are not pending, warn taxpayers of enforcement action if payments and/or other information, documentation or required returns are not received. (See IRM 5.14.3.1(8) regarding combining the request for payment with requests for other information or documentation.)
5. If a series of payments are not requested from (or required of) taxpayers in "balance due" status, they should be encouraged to make a voluntary payment (or payments) at any time, including when requests for installment agreements are pending (except when prohibited by stays of collection such as in bankruptcy.) When received, these payments are classified as *voluntary payments*, not *installment payments*.
6. Unlike installment agreement payments, requested payments may be designated by taxpayers. Unless designated, there is no particular designated payment code (DPC) for these payments.
7. If installment agreements *are pending* when requests for payments are made (or when taxpayers are notified that they should make voluntary payments) then advise taxpayers that:
 - A. an installment agreement is pending;
 - B. the installment agreement must be approved (if applicable);
 - C. installment agreements are not granted until taxpayers receive confirmation in writing by issuance of a letter or a signed copy of Form 433D/2159;
 - D. acceptance of voluntary or required payment(s) is not to be construed as acceptance of a requested installment agreement;
 - E. notification of either acceptance or rejection of an installment agreement request will be provided, prior to any enforcement action; and
 - F. no levy action will be taken so long as a payment agreement request is pending.
8. If payments are requested, this may be in connection with gaining other information, documentation or the request for required returns. (See IRM 5.14.1.4 and IRM 5.14.1.4.1.) Requests must be made using Form 9297, "Summary of Taxpayer Contact", which may be mailed, hand delivered, or personally given to taxpayers (See IRM 5.1.10.3.2.)
9. The procedures described in this section may be used:
 - during *any* contact with taxpayers (if warranted);
 - after installment agreements are requested, i.e. *while installment agreements are pending*; or,
 - after termination of a prior installment agreement.
10. The procedures described in this section *will not be used*:
 - while installment agreements are in effect; or

- during the default period (prior to termination) of installment agreements (except for payments necessary to reinstate agreements.) (See IRM 5.14.11.4 and IRM 5.14.11.5 for applicable time periods.)
11. Appropriate collection action may be taken if action dates pass without receipt of payments and/or requested returns, (or documentation or information) and an installment agreement is *not pending* nor in effect (and all appropriate notices, CDP timeframes and other actions have been taken). (See also IRM 5.1.9 regarding CDP, IRM 5.11 regarding levies, IRM 5.8 regarding offers in compromise, and IRM 5.10 regarding seizure and sale.)
 12. If action dates pass without receipt of payments, and *an installment agreement is pending*, approval of the installment agreement should be considered on its merits, regardless of whether the series of payments was received. No collection action may be taken until after:
 - A. the request for an installment agreement is recommended for rejection;
 - B. an independent administrative reviewer agrees rejection should be conveyed to the taxpayer (see IRM 5.14.9.3);
 - C. rejection is conveyed to the taxpayer; and,
 - D. appropriate appeal timeframes (or appeals) have expired (see IRM 5.14.9.4.)

Note:

Installment agreements are not considered pending if the direction provided in IRM 5.14.3.2 applies.

13. If payments are received as requested, but action dates pass without receipt of deposits or estimated tax payments or documentation or information, and an *installment agreement is pending*, inform the taxpayer that the installment agreement will be recommended for rejection based on non-receipt of requested items, then refer the case to the independent administrative reviewer recommending rejection.
 - A. No collection action may be taken (based on the reasons provided above) until after an independent administrative reviewer agrees rejection should be conveyed to the taxpayer (see IRM 5.14.9.3); rejection is conveyed to the taxpayer; and appropriate appeal timeframes (or appeals) have expired (see IRM 5.14.9.4.)
 - B. After the actions described in IRM 5.14.3.1(13)(a), and if all other appropriate notices, CDP timeframes and other actions have been taken, appropriate collection action may be taken.
14. An installment agreement should be approved if the taxpayer met all deadlines and satisfied all commitments and requirements precedent to the granting of the installment agreement. If, however, the taxpayer misses the periodic payment portion of deadlines (see above) while the agreements are pending, the agreement should still be approved.

Note:

If taxpayers fail to make equity-based payments (like the one described in Example B below) rejection will be recommended.

15. The following examples illustrate some situations where the procedures provided above should be followed:
 - A. **Example A:** On March 21, 2007, Mr. B meets with the revenue officer (RO) regarding tax liabilities totaling \$200,000 for two years, and unfiled tax returns for two other years. The RO demands full payment of the tax liabilities and delinquent returns, but Mr. B states that he is unable to pay. Form 433A is completed at the meeting. It indicates an ability to pay \$5,000 per month and that Mr. B has equity in property. Therefore, an installment agreement may not be appropriate due to the equity in the property. The RO discusses a realistic plan for case resolution that includes borrowing against or selling property in which the taxpayer has equity. The RO advises the taxpayer that the NFTL will be filed and provides the taxpayer with information regarding lien subordinations and discharges. The RO establishes deadlines for action by giving Mr. B the Form 9297, providing dates by which Mr. B must take the following actions:
 - April 15: file tax return or extension with proof of payment for 2006.
 - April 22: make payment of \$5,000 and file original, signed Forms 1040 for tax years ending 2003 and 2004.
 - May 21: payment of funds realized from borrowing on or selling the property that the taxpayer has equity in; or provide proof of two attempts to secure an equity loan on property, provide copies of his last two months' bank statements, and make payment of \$5000. The RO warns Mr. B of the consequence of missing any of the above deadlines, and informs him that the above deadlines for payment do not constitute an installment agreement. Mr. B states he will comply with the RO's requests and leaves the office. The plan of action should be recorded in the case history that the RO will file the NFTL; the RO will process the delinquent returns filed or will proceed with SFR if the taxpayer fails to file the returns as requested; the RO will analyze the financial information to determine collectibility and appropriate case resolution; the RO will proceed with appropriate enforced collection action if the taxpayer fails to make payments as agreed or fails to provide verification of attempts to secure an equity loan on property or fails to provide the bank statements.

Note:

The taxpayer does not have a "pending" installment agreement and has been given deadlines. If the deadlines are not met, appropriate enforcement action may begin, if all notices have been given.

- B. **Example B:** This example is identical to Example A above except that before leaving the office, Mr. C requests an installment agreement in the amount of \$5,000 per month. The RO informs Mr. C that the request will be considered contingent upon having filed all tax returns and deposits, and the timely filing of returns and deposits due during the "pending" periods. Prior to acceptance, the taxpayer will likely be required to borrow on the equity in the property, and provide other information (see (a) above). She also informs Mr. C that the required payments of \$5,000 per month should be made while the agreement request is being considered. She warns Mr. C of the consequences of non-receipt of requested information, but also informs Mr. C that no levy action will be taken so long as an installment agreement request is pending and that Mr. C will receive notification of either acceptance or rejection of his installment agreement request prior to any enforcement action. All of the above is documented in the case history.

Note:

Although no enforcement action can be taken based on missed deadlines while installment agreements are pending or in effect, payments and other information are requested. If the taxpayer uses equity in assets to make a large payment, and provides requested information and returns, the installment agreement will be recommended for approval, even if the payments of \$5,000 per month are not made. If the equity in property is not used to make a payment, or returns and/or information is not received, rejection of the installment agreement will be recommended. (The taxpayer was informed of this.) Collection action can be taken only after independent administrative review and appeals timeframes have elapsed.

16. Information related to "Setting Deadlines and Receiving Payments" is available in:

- IRM 5.1.9 (regarding CDP);
- IRM 5.11.1.3.9(4) (Notice of Levy);
- IRM 5.8 (regarding Offers in Compromise); and,
- IRM 5.10 (regarding Seizure and Sale.)

5.14.3.2 (06-12-2009)

Installment Agreement Requests Made to Delay Collection Action

1. If taxpayers request installment agreements that meet the criteria in this section:

- A. requests will not be recognized;
- B. requests will not be identified as "pending" ;
- C. input of TC 971 AC 043 will *not* be requested nor completed; and,
- D. because the agreement request is not valid, it is unnecessary to reject the request. Because it is not rejected, neither an independent review nor appeal (CAP) of a rejection are appropriate. Such appeals will not be accepted.

Note:

Taxpayers still have the right to meet with managers, request appeals of levy, or contact the Taxpayer Advocate. If levies are issued after following the procedures provided in this section, even though there is no appeal regarding the installment agreement. Taxpayers have the right to discuss levies with managers, appeal levy actions or contact the Taxpayer Advocate. (See note in IRM 5.14.3.2(8)).

2. To identify whether requests are made to delay collection (or enforcement) action at least one of the following must apply:

- There is no economic reality to the request (see IRM 5.14.3.2(3)(a)); or
- The request does not address changes requested in response to a prior request; (see IRM 5.14.3.2(3)(b)); or
- The request ignores direction provided by revenue officers (see IRM 5.14.3.2(3)(c)); or
- The request is made by a taxpayer that has defaulted prior installment agreements; (see IRM 5.14.3.2(3)(d)); or
- The request is made at a time that causes it to be classified as a request made to delay enforcement action (see IRM 5.14.3.2(3)(e)).

Note:

An installment agreement request that qualifies as a guaranteed installment agreement should be processed even if submitted solely to delay collection. (There is no exception in IRC 6159(c) for request made solely to delay collection.)

3. As provided in IRM 5.14.3.2(1) and IRM 5.14.3.2(2), " pending" status will not be identified if:

- A. there is no economic reality to the request. This applies if the proposed monthly payment amount is nominal (for example \$1 per month) or so small it does not come close to reflecting the taxpayer's ability to pay or it is made without reference to ability to pay after such reference is requested.

Note:

If balance due accounts meet Guaranteed or Streamlined criteria – see IRM 5.14.5 – these agreements will be granted.

- B. the request does not address changes requested in response to prior requests. If, after rejection of *prior* installment agreement request(s), taxpayers submit *new* requests that are not materially different from the *prior* request or requests, or do not address modifications (for example, taxpayers were provided acceptable monthly payment amounts), or do not address previously disallowed or undocumented expenses, then the (subsequent) request or requests do not result in identification of a pending installment agreement.
- C. the request ignores direction provided by revenue officers. When revenue officers request that taxpayers fully pay accounts (based on financial statement analysis) or submit documentation to support analysis of a financial statement, yet this direction is not followed. When the taxpayer fails to comply with one of these requests and then subsequently requests an installment agreement, this is considered a delay action.
- D. the request is made by a taxpayer that has defaulted on prior installment agreements. If taxpayers request installment agreements after a default of a prior agreement, the new agreement request will not result in identification of a "pending" agreement if: (1) the ability to pay has not changed since default of the prior agreement or (2) the taxpayer has demonstrated a history of non-compliance with Federal Tax Deposit requirements, ES payment requirements, proper payroll withholding, or filing tax returns when due.
- E. the request is made at a time that causes it to be classified as a request made to delay enforcement action: See IRM 5.11.1.3.9 regarding levies relative to pending and active installment agreements. See IRM 5.10 regarding Seizure and Sale. See the important note below regarding requests for agreements in the case of sale of property.

Note:

Installment agreement requests do not prohibit the sale of property that was seized before an agreement became pending. If a sale is scheduled, and a taxpayer subsequently requests an installment agreement then, even if the agreement is identified as "pending", the sale may continue.

Reminder:

The taxpayer should be notified that the IRS will not process the installment agreement request.

4. Examples of situations that do not result in identification of "pending" status:

- A. Example A: The taxpayer previously requested an installment agreement for \$700 per month and the request was rejected by the independent reviewer. The taxpayer was told when the rejection was communicated that an acceptable agreement would be \$1000 per month. This amount was fully explained and also discussed with the group manager. The taxpayer now offers \$725 per month, with no change in circumstances since the rejection. The subsequent request constitutes a delay action.
- B. Example B: The taxpayer previously had a request for an installment agreement rejected. The case has proceeded to seizure and sale of the taxpayer's assets. At the sale, five months after the rejection of proposed installment agreement, the taxpayer requests another installment agreement. The sale may continue. (See IRM 5.14.3.2(3)(e) and IRM 5.10 – Seizure and Sale.)

Note:

In this example, even if the request for an agreement does qualify for identification as a pending installment agreement, the sale may continue. Guidance for releasing and returning property can be found in IRM 5.10.4.3.

- C. Example C: The taxpayer has the ability to fully pay the liability and there are no reasons why assets can not be used to fully pay taxes (see IRM 5.14.1.4 (6) and IRM 5.14.1.4(7)). The independent reviewer rejected a prior request based on the taxpayer's ability to fully pay the liability. The taxpayer proposes another installment agreement amount. There is no change in taxpayer circumstances since the rejection. This subsequent request is considered to be one made to delay collection action. " Pending" status is not identified.

5. Document the case history regarding the facts that lead to the conclusion a request for an agreement does not warrant identification of a pending installment agreement.

- A. Group managers must agree that such requests were made to delay collection action.
- B. Group managers must document case histories that they agree that the request was made to delay collection action.

Note:

Regarding IRM 5.14.3.2(3)(e), and IRM 5.14.3.2(5)(a) and (b), in situations where a sale of property is scheduled, even if an installment agreement is considered pending, the sale may continue. *No managerial approval is required in this situation (beyond what is necessary to hold the sale.)*

6. Inform taxpayers when their requests for agreement do not result in identification of a pending installment agreement. This may be relayed:
 - in person;
 - telephonically;
 - in writing; or
 - by any other means of communication that is customary or usual between the taxpayer and Service employee;
 - this contact must be noted in the case history.
7. Enforcement action, including seizure and sale, may be taken without regard for the requests for installment agreements made to delay collection. Increased levels of approval are required to authorize enforcement actions in cases where the installment agreement requests have been made to delay collection (See IRM 5.11.1.3.9 and Exhibit 5.11.1–1 – Notices of Levy; IRM 5.10 – Seizure and Sale.)
8. It is important that taxpayers receive the above notification before any levy is issued. If there is doubt about the legality of levy issuance or other enforcement action, consult Counsel.

Note:

If any pre-levy requirements have not been satisfied (see IRM 5.11.1.2), Counsel approval must be sought. (Also see note in IRM 5.14.3.2(1))

9. If the request for an installment agreement occurs during an appeals process, Appeals must be notified that the request for installment agreement is deemed as a request made to delay collection.
10. If levies are issued on these cases, ensure that they are approved in accordance with IRM Exhibit 5.11.1–1, Delegation of Authority.
11. In the process of informing taxpayers that agreements have not been identified as pending, revenue officers and other contact employees may negotiate with taxpayers to arrive at an acceptable installment agreement amount or determine that an installment agreement is pending, based on dialogue with taxpayers, additional information or documentation.

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Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 4. Financial Reviews, Below Deferral Level Accounts, Joint and Several Liability Relief Under IRC Section 6015, Withdrawals and Multiple Entities

5.14.4 Financial Reviews, Below Deferral Level Accounts, Joint and Several Liability Relief Under IRC Section 6015, Withdrawals and Multiple Entities

- 5.14.4.1 [No Financial Reviews on Most IDRS Monitored Agreements](#)
- 5.14.4.2 [Installment Agreements on Below Deferral \(Account Issuance\) Level Taxpayers & Procedures for Uncollectible Accounts](#)
- 5.14.4.3 [Installment Agreements and Multiple Entities](#)
- 5.14.4.4 [Joint and Several Liability Relief Under IRC Section 6015 and Installment Agreement Requests](#)
- 5.14.4.5 [Withdrawal of Installment Agreement Requests](#)
- Exhibit 5.14.4-1 [Withdrawal of Request for Installment Agreement](#)

5.14.4.1 (08-05-2010)

No Financial Reviews on Most IDRS Monitored Agreements

1. Mailing of computer paragraph (CP) 522, "Review Financial Condition" has been suspended.
2. Taxpayers whose cases are monitored in Centralized Case Processing, either in status 60 or manually, may also be contacted to obtain updated financial information, but *not* by use of CP 522
3. Before entering into installment agreements, schedule changes in monthly payment amounts based on anticipated changes in taxpayers' ability to pay. (See IRM 5.14.1.4.4).

5.14.4.2 (03-04-2011)

Installment Agreements on Below Deferral (Account Issuance) Level Taxpayers & Procedures for Uncollectible Accounts

1. Notice status balance due accounts less than the amount specified in IRM 5.1.20.2.4.1 may be input to installment agreement status for indeterminate periods of time provided:
 - agreements do not extend past the CSED, and
 - taxpayers can make monthly payments of at least $\equiv \equiv \equiv$. (This minimum does not apply to guaranteed agreements — see IRM 5.14.5.3(1)(f)(note))
2. The agreements discussed in IRM 5.14.4.2(1) may be taken if:
 - A. The liability includes the total amount outstanding, including accruals and currently not collectible accounts;
 - B. Equal monthly installments are required for IDRS monitoring; and
 - C. there are no other balances due.
3. Prepare Form 433-D or Form 2159 (levy source information is not required on these agreements); process per the guidance provided in IRM 5.14.9.4. (See also IRM 5.14.9.3, regarding IDRS monitoring.)
4. In cases in which the payment would be less than \equiv , (except guaranteed installment agreements):
 - A. request that the taxpayer adjust Form W-4 (following the procedures outlined in IRM 5.14.1.4.1(18)(a)) so the positive amount shown as being available for payments is instead used to increase current withholding; then,
 - B. follow the instructions in IRM 5.16 — Currently Not Collectible.
5. Reporting Accounts Uncollectible: If, based on analysis of Collection Information Statements taxpayers are unable to make payments, consider reporting accounts uncollectible — see IRM 5.16. Provide taxpayers with the address at the Campus where the taxpayer files returns (for mailing voluntary payments). Taxpayers who are unable to make payments generally should not be granted installment agreements.
6. If taxpayers are able to make payments, but unable to *fully* pay all balance due accounts, then Partial Payment Installment Agreements may be considered (see IRM 5.14.2.1).

5.14.4.3 (03-04-2011)

Installment Agreements and Multiple Entities

1. Related entities can be included in one installment agreement. The agreement locator number will auto-populate on ICS to XX63, if there are no other conditions. The ALN ensures proper systemic monitoring of these agreements. For this type of IA, ensure the taxpayer entities are in filing and payment compliance (IRM 5.14.1.4.1) prior to requesting the pending IA indicator (IRM 5.14.1.3(5)). When the pending IA indicator is present (TC971AC043) on the entity and one of the taxpayers is not in compliance at the time the IA is ready to be granted, a recommendation for rejection can be given to the independent administrative reviewer regarding only the person or entity that is not in compliance, and the taxpayer that is in compliance may be granted an installment agreement (if appropriate). The following types of taxes may be combined in one installment agreement:
 - A. Taxes for two or more Form 1120S corporations if they share the same sole officer.
 - B. A sole proprietorship's taxes (on the sole prop.'s tax ID number) and the individual income taxes of the sole owner of the sole proprietorship.
 - C. Taxes for married couples, even if the taxes are owed individually.
2. When a request for an IA involves an SSN and EIN (Sole Proprietor) or two SSN's, some years filed joint and some single, combine the aggregate unpaid balance of assessment (CC SUMRY) of all modules. Determine if the taxpayer meets the requirements to qualify for an IA. An IMF account and related BMF account must be included in one IA.

3. Select the correct IA type based on the combined aggregate unpaid balance of assessments (SUMRY) of all the modules on the related entities. The correct IA type is based on the dollar threshold and type of tax governed by the IA type (Streamlined, IBTF-Express, IBTF-IA).

4. For installment agreements on multiple entities:

A. Ensure the cross referenced identification number is entered when completing the IA on ICS by answering "Yes" to the question "Are there other TINs to be included with this installment agreement" to ensure proper input. Campuses will input agreements on the entity with the earliest CSED first.

Note:

ONLY make this election when the cross-referenced TIN has an unresolved Bal Due on IDRS.

B. Both agreements will cross- reference the related EIN or SSN using ALN (XX63). ALN (XX63) will be systemically included on the IA form by ICS (This ensures the accounts appear on the Installment Agreement Account Listings in the correct category.)

C. The primary taxpayer identification number (TIN) will dictate the Campus to which the agreement will be routed for input. Primary SB/SE TINs will be routed to SB/SE Campuses. Primary W&I TINs will be routed to W&I Campuses for monitoring.

D. The Campus that inputs the agreement will ensure that ALN XX63 is input on both agreements and the secondary TINs tax modules are input to IDRS status 63 and monitored at the same Campus.

E. Since the secondary agreement is monitored wherever the primary agreement is set up, this will sometimes result in SB/SE Campuses monitoring W&I cases and W&I Campuses monitoring SB/SE cases.

Caution:

If an IMF account is included with an in-business BMF account, it must be input in accordance with the procedures provided in IRM 5.14.7, regardless of which TIN has the earliest CSED. The primary TIN for these agreements is the business entity.

Note:

See IRM 5.19.1.5.5.3 for Campus processes.

5. These types of IAs, with an ALN of "xx63" cannot be systemically uploaded. ICS will block the input. Process this type of agreement by e-mailing the F433-D to the appropriate CCP mailbox (see below) or mail it on a Form 3210 to CCP at Mail Stop 5-E04.114.

- Area Offices 21, 22, 23, 24, and 35 use *SBSE CCS GCP EAST1
- Area Office 25 use *SBSE CCS GCP WEST2
- Area Offices 26, 27 use *SBSE CCS GCP WEST1

6. For certain liabilities assessed in the name and EIN of an LLC, different single member owners (SMOs) may be liable for separate tax periods assessed in the same name and EIN. See IRM 5.1.21, *Collecting from Limited Liability Companies*. If multiple SMOs are liable for different tax periods assessed in the same name and EIN separate installment agreements would be required for each taxpayer and should be established using the Manually Monitored procedures in IRM 5.14.9.5.

Reminder:

When the SMO is liable for some tax periods and the LLC is liable for different tax periods assessed in the LLC's name and EIN, follow the procedures in IRM 5.14.7 for a combined SMO/LLC installment agreement.

7. Ensure a TC130 is input for the appropriate Social Security Number(s).

5.14.4.4 (03-04-2011)

Joint and Several Liability Relief Under IRC Section 6015 and Installment Agreement Requests

1. In situations in which one joint taxpayer has requested relief from joint and several liability under IRC section 6015, if the *nonrequesting* spouse requests an installment agreement, and there is an unreversed TC 971 AC 065 on any balance due module or a MFT 31 has been established, then:

A. Follow normal procedures to determine if the taxpayer qualifies for an installment agreement; and include all modules (even the modules with the unreversed TC 971 AC 065) in calculating if the proposed payment amount would full pay the liability before the Collection Statute Expiration Date (CSED). See IRM 5.14.1.4.

B. If the taxpayer qualifies for an installment agreement, make sure all balance due accounts are included, *including* those with TC 971 AC 065, and establish the installment agreement using Manually Monitored procedures in IRM 5.14.9.5.

2. If the spouse filing a claim requests an installment agreement and there is an unreversed TC 971 AC 065 on any balance due module, then:

A. follow normal procedures to determine if the taxpayer qualifies for an installment agreement and, include all modules (even the modules with the unreversed TC 971 AC 065) in calculating if the agreement would fully pay the liability before the CSED.

B. If the taxpayer qualifies for an installment agreement include all modules *except those with an unreversed TC 971 AC 065* in the agreement itself.

Note:

Use of the PPIA procedures provided in IRM 5.14.2.1 is also an option if the taxpayer is unable to fully pay all balance due accounts through an installment agreement.

C. Establish the agreement using Manually Monitored procedures in IRM 5.14.9.5.

D. If after such agreements are in effect claims filed under section 6015 are denied and the *requesting* spouse requests addition of the balance due account(s) to installment agreements, request this on Form 4844.

E. Note on Form 4844 that the agreement for the case may now be monitored by IDRS if no other conditions exist that are mentioned in IRM 5.14.9.3(3).

3. To input pending installment agreement codes (TC 971 AC 043) or installment agreement codes (TC 971 AC 063), when an unreversed TC 971 AC 065 already exists on a tax module:

A. reverse the TC 971 AC 065 using TC 972 AC 065;

B. input TC 971 AC 043 or AC 063; and

C. re-input TC 971 AC 065 (after the pending or installment agreement code is on the tax module)

5.14.4.5 (03-04-2011)

Withdrawal of Installment Agreement Requests

1. Taxpayers may withdraw installment agreement requests either verbally or in writing.
2. Exhibit 5.14.4-1 provides the format for withdrawal of installment agreement requests. This format must be used regardless of whether requests for withdrawal are verbal or written.
3. Verbal requests are effective five (5) calendar days from the day they are received unless a written confirmation of a verbal request is received within the five (5) day period. (See IRM 5.14.4.5(6))
4. Include the reason for the withdrawal request in the appropriate part of the form.
5. If, after a verbal request for withdrawal, written confirmation is *not* received, document the case file as to how the request for withdrawal occurred.
6. Installment agreements are considered withdrawn (i.e., withdrawals are effective):
 - A. upon receipt of written requests for withdrawal, or
 - B. five (5) calendar days after a verbal request for withdrawal.
7. Withdrawals should not be solicited by contact employees, but questions may be asked to clarify misunderstanding of taxpayers' statements.
8. Request input of TC 972 AC 043 (if a TC 971 AC 043 was previously input) on the effective date of the withdrawal. If the case has already been input into installment agreement status, then:
 - request input of TC 971 AC 163 instead, and
 - ensure accounts are removed from status 60 and the appropriate collection status is input.

Note:

No independent review or appeal rights are required in this situation.

9. If the installment agreement request was a joint request on a jointly filed return, both taxpayers must sign one request or separate requests for withdrawal for the request to be honored.

Note:

If one or both of the requests is verbal, see IRM 5.14.4.5(6)(b) regarding the effective date.

10. No independent review is required in the case of withdrawals. (See IRM 5.14.9.7(17))

Exhibit 5.14.4-1
Withdrawal of Request for Installment Agreement

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Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 5. Streamlined, Guaranteed and In-Business Trust Fund Express Installment Agreements

5.14.5 Streamlined, Guaranteed and In-Business Trust Fund Express Installment Agreements

- 5.14.5.1 [Overview](#)
- 5.14.5.2 [Streamlined Installment Agreements](#)
- 5.14.5.3 [Guaranteed Installment Agreements](#)
- 5.14.5.4 [In-Business Trust Fund Express Installment Agreements](#)
- 5.14.5.5 [Disposition of Approved Installment Agreement Documents](#)

Manual Transmittal

December 23, 2015

Purpose

(1) This transmits an editorial based revision to IRM Part 5.14.5, Installment Agreements, Streamlined, Guaranteed and In-Business Trust Fund Express Installment Agreements to require the use of the IAT Compliance Suite Payment Calculator in place of ICOMP/Decision IA.

Material Changes

- (1) IRM 5.14.5.2(1) c) revised to replace references to using ICOMP and Decision IA with instructions to use the IAT Compliance Suite Payment Calculator.
- (2) IRM 5.14.5.3(6) revised to replace references to using ICOMP and Decision IA with instructions to use the IAT Compliance Suite Payment Calculator.
- (3) IRM 5.14.5.4 (1) c) revised to replace references to using ICOMP and Decision IA with instructions to use the IAT Compliance Suite Payment Calculator.

Effect on Other Documents

This material supersedes IRM 5.14.5, dated May 23, 2014.

Audience

SB/SE Collection Employees

Effective Date

(12-23-2015)

Kristen Bailey
Director, Collection Policy

5.14.5.1 (05-23-2014)

Overview

1. This IRM provides procedures for establishing installment agreements utilizing Guaranteed, Streamlined, or In-Business Express criteria. Guaranteed agreements provide qualified taxpayers who have a one-time account delinquency the statutory right to an agreement if their taxes are \$10,000 or less and certain other conditions are met. Streamlined Criteria has two tiers, up to \$25,000, and \$25,001 - \$50,000 and can be used on income tax liabilities, and out of business modules. In-Business Trust Fund Express installment agreements can be secured without securing financial information on BMF accounts up to \$25,000. These agreements reduce taxpayer burden because they may be processed quickly and without securing a collection information statement. The Service benefits from these agreements through more efficient case processing.

5.14.5.2 (12-23-2015)

Streamlined Installment Agreements

1. Streamlined installment agreements may be approved for taxpayers under the following circumstances:
 - A. The aggregate unpaid balance of assessments (the SUMRY balance) is \$50,000 or less. The unpaid balance of assessments includes tax, assessed penalty and interest, and all other assessments on the tax modules. It does not include accrued penalty and interest.
 - B. If pre-assessed taxes are included, the pre-assessed liability plus unpaid balance of assessments must be \$50,000 or less.
 - C. The minimum payment amount is determined by dividing the SUMRY balance by 72. The IA must resolve all balances due prior to the expiration of the CSED . (Use the IAT Compliance Suite Payment Calculator .)
2. Accounts in any status qualify, including:
 - Notice status accounts;
 - Balance due status accounts; and
 - Pre-assessed accounts.
3. The following types of taxpayers qualify for streamlined agreements with an aggregate unpaid balance of assessment (SUMRY balance) of \$25,000 or less:
 - IMF;

- BMF (income tax only - forms 1120, 1065-late filing penalty); and
- Out of business BMF (any type tax).

Note:

See IRM 5.14.4.3(2) and (3) when your request involves including related IMF/BMF accounts into one IA.

4. The following types of taxpayers qualify for streamlined agreements with an aggregate SUMRY balance of \$25,001 — \$50,000:

- IMF
- Out of Business Sole Proprietors

5. A lien determination is not required for a streamlined installment agreement but may be made at the discretion of the revenue officer and liens may be filed.

Reminder:

Where an NFTL filing determination is not required, but a decision to file an NFTL has been made, document the justification in the case history including the manager's concurrence.

6. No managerial approval is required.

7. Streamlined installment agreements with a SUMRY balance between \$25,001 and \$50,000 must be established as a Direct Debit IA or a Payroll Deduction IA. Additionally, if the taxpayer has defaulted an installment agreement for missed payments in the past 12 months, the taxpayer's ability to pay must be verified using the streamlined IA calculator (SLIAC) or a Collection Information Statement (CIS) if it has already been provided by the taxpayer.

8. These agreements may be secured in person, by telephone or by correspondence.

Note:

DDIAs and PDIIAs require a Form 433D/2159 signed by the taxpayer

9. As with all agreements, the taxpayer must have filed all tax returns that are due prior to entering into the agreement. (See IRM 5.14.1.3 and IRM 5.14.1.4.1).

10. See IRM 5.14.11.5(2)(a), regarding reinstatement of agreements that meet streamlined criteria.

11. Encourage taxpayers to pay assessed amounts greater than \$50,000 to:

- avoid the need for securing financial statements; and,
- qualify for streamlined agreements.

[See IRM 5.14.1.4(7) (Example)]

12. Taxpayers may be granted streamlined agreements based on the criteria provided in IRM 5.14.5.2(1) – (11), even if they are able to fully pay their accounts.

13. All streamlined installment agreements will use 36 in the YY position of the Agreement Locator Number.

14. Taxpayers should be advised of accruals of penalty and interest during the duration of an installment agreement. If the taxpayers decide it is in their best interest to fully pay the account balance, a payoff balance should be provided to the taxpayers with instructions regarding payment submission.

5.14.5.3 (12-23-2015)

Guaranteed Installment Agreements

1. Internal Revenue Code (IRC) section 6159(c) requires the Service to accept proposals of installment agreements under certain circumstances. In accordance with IRC 6159(c) the Service must accept proposals to pay in installments if taxpayers are individuals who:

- A. owe income tax only of \$10,000 or less (excluding penalties and interest);
- B. have not failed to file any income tax returns or to pay any tax shown on such returns during any of the preceding five taxable years;
- C. cannot pay the tax immediately (see (2) below);
- D. agree to fully pay the tax liability within 3 years;
- E. agree to file and pay all tax returns during the term of the agreement; and
- F. have not entered into an installment agreement during any of the preceding five taxable years.

2. As a matter of policy, the Service grants guaranteed agreements even if taxpayers are able to fully pay their accounts. (See also IRM 5.14.1.4(8), and IRM 5.14.5.2(10).)

3. Unlike the criteria for streamlined agreements, the dollar limit for guaranteed agreements of \$10,000 only applies to tax. The taxpayer may owe additional amounts in penalty and interest (both assessed and accrued) and qualify for a guaranteed agreement, so long as the tax liability alone is not greater than \$10,000.

4. Guaranteed installment agreements may be granted by revenue officers and other contact employees. Managerial approval is not required for these agreements.

5. A lien determination is not required for a guaranteed installment agreement but may be made at the discretion of the revenue officer and liens may be filed.

Reminder:

Where an NFTL filing determination is not required, but a decision to file an NFTL has been made, document the justification in the case history including the manager's concurrence.

6. I The IAT Compliance Suite Payment Calculator will be used to determine if the tax, including statutory additions, can be fully paid within three years.

7. If taxpayers do not qualify for guaranteed agreements, consider streamlined agreements prior to considering other alternatives. Process guaranteed agreements as streamlined agreements on ICS.

8. Taxpayers should be advised of accruals of penalty and interest during the duration of an installment agreement. If the taxpayers decide it is in their best interest to fully pay the account balance, a payoff balance should be provided to the taxpayers with instructions regarding payment submission.

5.14.5.4 (12-23-2015)

In-Business Trust Fund Express Installment Agreements

1. In-Business Trust Fund (IBTF) *Express* installment agreements may be granted if:

- A. The aggregate unpaid balance of assessments (the SUMRY balance) is \$25,000 or less. The unpaid balance of assessments includes tax, assessed penalty and interest, and all other assessments on the tax modules. It does not include accrued penalty and interest.
- B. IBTF Express agreements may not be granted where the first payment on the agreement is a lump sum payment to be made in order to pay down the balance to meet the \$25,000 criteria. Taxpayers must meet the dollar criteria at the time the IBTF Express IA is granted. However, taxpayers with a liability greater than \$25,000, can be considered for an IBTF Express agreement if they pay down the liability to \$25,000 or less prior to the agreement being granted
- C. Taxes are fully paid in 24 months, or before the CSED, whichever is earlier. (Use the IAT Compliance Suite Payment Calculator to calculate agreement lengths.

2. If accounts qualify for IBTF *Express* agreements:

- A. Collection Field function employees are not required to make a field call just to view assets prior to granting an IBTF Express agreement.
- B. No financial statement is required.
- C. Input bank and receivables information to ICS.
- D. Check IDRS for (and verify with taxpayers) filing and payment compliance. If not in filing compliance, installment agreements may not be granted.
- E. If for any reason rejection of installment agreements is planned, refer for Independent Administrative Review. (See IRM 5.14.9.7).

3. Per IRM 5.12.2.3.1 a lien notice filing determination decision is not required for in-business Trust Fund Express Agreements. If the case cannot be closed as an IBTF Express IA on or before the IRM 5.12.2.3.2 lien notice filing determination requirement date, a lien notice filing determination decision must be made based on the facts of the case. The revenue officer has the latitude to make a non-filing deferral determination decision then finish the negotiation and grant the IBTF Express IA. Liens may be filed if they will protect the government's interests, such as:

- the BMF entity has defaulted on an IA in the current year or prior calendar year periods;

Note:

Where an NFTL filing determination is not required, but a decision to file an NFTL has been made, document the justification in the case history including the manager's concurrence.

4. A TFRP determination is not required if:

- UBA is \$25,000 or less; and,
- Outstanding liabilities only include current year or prior calendar year periods; and,
- The entire liability will be paid in 24 months

Note:

A determination to pursue the TFRP should not be made when the taxpayer meets the criteria for an IBTF Express IA and the decision has been made to grant the agreement (see IRM 5.7.4.1(3)). If the TFRP was recommended or assessed prior to the decision to grant an IBTFE IA, you must document whether you are pursuing collection of the TFRP or placing it in deferral status during the IA.

5. Use of the Direct Debit payment option (DDIA) is required on all IBTF Express IAs with a UBA between \$10,000 and \$25,000

6. If you have a case that is an IBTF-Express IA that is paid using the direct debit payment option, see IRM 5.14.10.5 for input, approval, and routing procedures for this type of IA.

7. Managerial approval is required.

8. If IBTF *Express* agreements are in default, or are terminated, they may be reinstated or new agreements may be granted immediately if:

- A. The taxpayer re-qualifies for an agreement under the above guidelines, or other guidelines provided in this manual. (Also see IRM 5.14.11).
- B. The Collection Statute Expiration Date (CSED) is considered (See IRM 5.14.5. 4(1)(b).)

9. Business accounts with a UBA over \$25,000 do not qualify for IBTF *Express* agreements.

- A. Use Streamlined procedures (IRM 5.14.5.2) for *income taxes (Form 1120, Corporate Income Tax, and Form 1065, Late Filing Penalty on Partnership Returns)* on in business accounts and *out of business* accounts of \$25,000 or less.
- B. See IRM 5.14.7 for IBTF accounts that do not meet the above criteria.

5.14.5.5 (03-11-2011)

Disposition of Approved Installment Agreement Documents

1. The preferred method of closing Guaranteed, Streamlined, and In-Business Express IAs is by choosing Option A on the ICS Installment Agreement menu. Choosing this method of closure allows these installment agreements to be systemically uploaded from ICS to IDRS.
2. After the group manager approves the IA (if applicable), an ICS Print Manager Dialogue box provides the option of E-mail or immediate printing of the Form 433-D and Letter 2850. An ICS history entry is generated stating the IA was systemically uploaded to IDRS.
3. Generation of the acceptance letters and Form 3210s has not changed with the systemic upload process. You are still responsible for mailing of the Letter 2850 to the taxpayer and power of attorney, if applicable.
4. Write "FILE COPY" in RED ink along the top of the Form 433-D and place it in the closed case file. Send the closed case file to CCP on a manually created Form 3210 or Form 795-B to:

Internal Revenue Service

2970 Market Street

Mail Stop 5-E04.115

Philadelphia, PA., 19104

5. If a hard copy of Form 433-D was prepared and approved outside of ICS, select "Option B" under the Installment Agreement menu to close the case on ICS. Selection of this option will generate a TC 971 AC 063. Use the systemically generated Form 3210 to route the agreement (Form 433D) to CCP at:

Internal Revenue Service

2970 Market Street

Mail Stop 5-E04.114

Philadelphia, PA., 19104

6. Use either the Form 795-B or a Form 3210 to send the case file to closed files to CCP at Mail Stop 5-E04.115.
7. Option B does not systemically generate an approval notification, Form 433-D or the Letter 2850. Create the Letter 2850 from the Installment Agreement menu under the Templates Listing on ICS. It is your responsibility to mail the letter to the taxpayer and power of attorney, if applicable.

[More Internal Revenue Manual](#)



Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 7. BMF Installment Agreements

5.14.7 BMF Installment Agreements

- 5.14.7.1 [Overview](#)
- 5.14.7.2 [Summary of Agreement Criteria for Business Accounts](#)
- 5.14.7.3 [Installment Agreements Involving Limited Liability Companies](#)
- 5.14.7.4 [In-Business Trust Fund Installment Agreements Requiring Financial Analysis and Determining Ability to Pay](#)
- 5.14.7.5 [Payments on Trust Fund Accounts During Approved In-Business Trust Fund Installment Agreements](#)

5.14.7.1 (09-26-2008)

Overview

1. This chapter provides procedures for processing installment agreements for Business Masterfile (BMF) accounts including in-business trust fund (IBTF) balance dues. The Business Masterfile is primarily dedicated to those accounts with Employer Identification Numbers (EINs). Many of these accounts involve in-business payroll tax accounts, and/or large dollar accounts. The procedures in this section apply to balance due, unassessed liabilities on secured returns, and to liabilities in notice status. These procedures are applicable only if taxpayers can pay operating expenses as well as current and delinquent taxes. (See IRM 5.14.7.2(1)).

5.14.7.2 (08-05-2010)

Summary of Agreement Criteria for Business Accounts

1. When an inability to pay delinquent and accrued taxes is indicated, the following considerations are necessary:
 - A. If the taxpayer cannot pay operating expenses and current taxes, then deferring action on delinquent and accrued taxes may serve no useful purpose. Appropriate collection action such as levy, seizure, or a trust fund recovery penalty, should be considered to protect the government's interest. The taxpayer's interests must also be considered and the financial statement should be reviewed thoroughly with the taxpayer to determine if there is a way to reduce expenses in order to make payment on the taxes and avoid enforced collection action. (IRM 5.14.7.4 and IRM 5.15 provide procedures for financial statement analysis).
 - B. If it is determined the taxpayer can pay current taxes as well as operating expenses, and pay delinquent taxes, then follow the installment agreement procedures in IRM 5.14.7.4.
 - C. Taxpayers identified as repeaters may not immediately be granted installment agreements. Installment agreement requests received from these taxpayers should be identified as pending if the taxpayer is maintaining current compliance with federal tax deposit (FTD) requirements.
- Note:**
- For assessments in the name and Employer Identification Number (EIN) of a Limited Liability Company (LLC), determine whether the identity of the liable taxpayer has changed to determine whether the LLC would be considered a repeater.
- D. If, however, after contact, taxpayers classified as repeaters do not continue to accrue liabilities and begin making FTDs and file all appropriate returns (so that they are in compliance with all filing requirements); then, they may qualify for installment agreements.

Note:

Use Form 9297 as required in IRM 5.14.3.1 to request payment, federal tax deposits, and tax returns.

2. If, based on the above, taxpayers are in current compliance, then see IRM 5.14.7.2 and IRM 5.14.7.4 (and their sub-sections) to determine if installment agreements may otherwise be approved.

Reminder:

If additional information is needed (prior to approving an installment agreement), provide the taxpayer with deadlines for submitting the information, along with requests for payment (as provided in IRM 5.14.3.1.)

3. Installment agreement payments should be applied in accordance with IRM 5.14.7.5.
4. Enforcement action will not be taken while the installment agreement is in effect, unless collection is in jeopardy.
5. In certain cases contact personnel and revenue officers performing contact duties can grant installment agreements on BMF notice or balance due accounts without securing a CIS or preparing a 433-D (See IRM 5.14.4.2, IRM 5.14.5.2, IRM 5.4 and IRM 5.19.1.5.3).
6. The Trust Fund Recovery Penalty assessment statutory period must be considered on corporate taxpayers, LLC taxpayers when the LLC is identified as the liable taxpayer and other entity types, if applicable (IRM 5.14.7.4.1 describes necessary actions regarding TFRPs). Assessment determinations must be made (See IRM 5.7.4.8).
7. IRM 5.14.7.4 describes the financial analysis necessary for in-business trust fund installment agreements.
8. IRM 5.14.7.4.2 describes the approval process for in-business installment agreements.

5.14.7.3 (08-05-2010)

Installment Agreements Involving Limited Liability Companies

1. The identity of the taxpayer determines the party subject to an installment agreement. See IRM 5.1.21.4 and 5.1.21.8.
2. The LLC is the liable taxpayer for income and excise tax liabilities assessed in the name and Employer Identification Number (EIN) of the LLC.
3. For a multi-member LLC, the LLC is the liable taxpayer for employment tax liabilities.

4. For a single member LLC, employment tax liabilities on wages paid prior to January 1, 2009, assessed in the name and EIN of the LLC, may be the liability of the LLC or the liability of the *owner* of the LLC. See IRM 5.1.21, *Collecting from Limited Liability Companies*, to identify the liable taxpayer.
5. For excise taxes that accrue on or after January 1, 2008 and for employment taxes on wages paid on or after January 1, 2009, the LLC is the liable taxpayer, regardless of the number of members.
6. When the LLC is the liable taxpayer, follow the same procedures as an installment agreement for a corporate taxpayer. The installment agreement is based on the LLC's ability to pay.
7. When the owner is the liable taxpayer, the installment agreement is based on the owner's ability to pay.
8. In some cases, assessments in the name and EIN of an LLC may reflect some periods for which the LLC is the liable taxpayer and some periods for which the owner of the LLC is the liable taxpayer. Separate collection determinations must be made for each liable taxpayer.
9. Ensure that Transaction Code 971, Action Code 364, *LLC is liable taxpayer*, Action Code 365, *Owner is liable taxpayer*, or Action Code 366, *Identity of liable taxpayer changed during tax period*, is input for appropriate tax periods. See IRM 5.1.21.8.3.
10. Ensure that an "LLC-Owner is Liable Address" or "LLC-LLC is Liable Address" record, identifying only the liable taxpayer, is created on ICS when securing installment agreements where **only** the single member owner (SMO) or the LLC is the liable taxpayer for all open tax periods. See IRM 5.1.21.8.2.

5.14.7.3.1 (08-05-2010)

Installment Agreements When Owner is Liable for Assessments in LLC Name

1. When employment tax liabilities of the *owner* of an LLC are assessed in the name and Employer Identification Number (EIN) of the LLC, special provisions apply. See IRM 5.1.21.10.1.
2. Ensure that the owner's name has been added to the assessment using the procedures outlined in IRM 5.1.21.6, and a new "LLC-Owner is Liable Address" record has been created in the Integrated Collection System (ICS) as described in IRM 5.1.21.8.2. Select the Name/Address record of the liable taxpayer when establishing the installment agreement on ICS.
3. To facilitate posting of installment agreement payments and avoid default notification to the wrong entity, a disclaimer may be added to the **Additional Conditions/Terms** section or as an attachment to the Form 433-D: "This agreement is between the Service and (single member/owner name). Payments will be accepted from (single member/owner name) or (name of disregarded entity), and will be applied to the liability assessed against (name of disregarded entity and its EIN). In the event of default, enforcement action will be taken against (single member/owner name)."
4. Voluntary payments may be accepted from the LLC, even when the owner is the liable taxpayer. Payments are applied to the EIN identified in the assessment.
5. When the owner of the LLC has no current depositing, filing or paying requirements because the liable taxpayer has changed, an installment agreement for tax periods where the owner is the liable taxpayer is not considered an in-business trust fund agreement.
6. Additional liabilities assessed in the name and EIN of the LLC for tax periods where the LLC is the liable taxpayer should not default an installment agreement for tax periods where the owner of the LLC is the liable taxpayer. Compliance for the current entity should be addressed separately.

Caution:

For employment tax periods beginning on or after January 1, 2009, the LLC is the liable taxpayer. Original installment agreements for tax periods where the owner is liable may only be defaulted or terminated for the reasons listed in IRM 5.14.11.3. Since the LLC may be liable for new tax periods assessed in the name and EIN of the LLC, the case may be reassigned to the field to re-evaluate collection issues. If the LLC also qualifies for an Installment Agreement, you may need to combine both agreements using the provisions of IRM 5.14.7.3.2 below.

5.14.7.3.2 (03-11-2011)

Installment Agreements When Owner (SMO) and LLC are Liable for Assessments in LLC Name

1. Because of changes to Treasury Regulation 301.7701-2(c)(2)(iv), the LLC is the liable taxpayer for employment tax periods beginning on or after January 1, 2009 even when the LLC is otherwise disregarded for income tax purposes. For these taxpayers, it will be common to have assessments in the name and EIN of the LLC, where:
 - Single Member Owner (SMO) of the LLC is the liable taxpayer for employment tax periods ending before January 1, 2009, and
 - LLC is the liable taxpayer for tax periods beginning on or after January 1, 2009.
2. If the identity of the taxpayer changed from one period to the next resulting in a change of the taxpayer record, determine whether an installment agreement is the appropriate resolution for each liable taxpayer.
3. If an installment agreement is the appropriate case resolution for only one liable taxpayer, complete the action for the other liable taxpayer before submitting the installment agreement for processing. For example, if the SMO periods are to be placed in CNC status, take this action first before submitting the IA request.
4. Use Option B to submit the IA request to CCP for input. Make an ICS history notation in the Closing Narrative. This history notation will alert Centralized Case Processing (CCP) to exclude these modules from the IA. Use the systemically generated Form 3210 with the appropriate Mail Stop to route the case to CCP.
5. If an installment agreement is the appropriate case resolution for **both** the SMO and the LLC, a combined installment agreement may be secured.
6. Secure a separate Collection Information Statement (CIS) from each liable party.
 - SMO (pre-January 1, 2009 liabilities): Form 433-A if an individual or a Form 433-B if another entity
 - LLC (post January 1, 2009 liabilities): Form 433-B
7. The installment agreement payment is based on the **combined payment ability** demonstrated by the separate collection information statements from the SMO and LLC.
8. Address any applicable CSED and TFRP issues.
9. The following Option A, IA types allow for the submission of an SMO/LLC IBTF-IA:
 - IBTF Express
 - CCP(PSC)-MMIA For Centralized Case Processing
 - CCP(PSC)-IBTF-IA NF Item In CCP

Note:

When one of these IA types is selected, ICS presents a dialogue box that asks, "Is this an SMO/LLC IA?"

10. ICS will block the creation of the IA until the following separate Name/Address records are created:

- LLC – Owner is Liable Address; and,
- LLC – LLC is Liable Address.

Note:

These Name/Address Records are needed for the systemic creation of the *Attachment to the SMO/LLC Agreement* document. A systemic history is generated when the Name/Address records are created.

11. Input the appropriate TC 971 Action Code 364,365, 366 to identify the liable taxpayer for each module.
12. When requesting a combined IA on ICS, select the Name/Address record that includes **BOTH** the name of the LLC and the name of the SMO. This is normally the IDRS Mailing Address on ICS. If the Mailing Address does not contain **BOTH** the LLC and the SMO name, add a new address record using type Contact or Other.

Note:

The names of both the LLC and the SMO will appear on the combined installment agreement. This is an exception to the general rule that collection actions should not include both the name of the LLC and the name of the SMO.

13. Close the case on ICS by selecting Option A from the Installment Agreement Menu:
 - A. Selecting the appropriate Case Conditions; and then
 - B. Selecting one of the IA types listed in (9) noting if the TFRP has been addressed; and then,
 - C. You will receive a pop up message "Is this an SMO/LLC IA?"
 - D. Take the appropriate actions based on the "If..., And... Then..." Table.

If...	And...	Then...
Yes, If only one Name/Address record is present		A. You will receive a message: "Separate Name/Address records required for LLC is liable, "Owner is Liable" and as well as Name/Address record with both names. Create necessary Name/Address records" . B. Click "OK" C. Navigate to the Name/Address application and create the necessary Name/Address record(s). D. Return to the IA process and select the appropriate Name/Address for the IA. E. If appropriate, select the PPIA indicator for the SMO, LLC or both. This option is not applicable for a SMO/LLC IBTF-Express IA. Note: The IA process only allows for one PPIA indicator. If different types are selected only the PPIA Asset indicator will be reflected in the IA but both selections will write to the ICS history. F. Select the appropriate Employer Information, Financial Institution Information and status of the Notice of Federal Tax Lien. G. Input the SMO/LLC Payment Information. This information reflects the first and future payment due from both the LLC and SMO. Total payment will be the sum due from the LLC and SMO. H. If appropriate, update IBTF Monitoring field with FTD and Filing Requirement information. I. Click "Save" to submit for approval.
Yes, and more than one Name/Address record is present, You will receive a message: "Do you have separate "LLC is liable" and "Owner is liable" Name/Address records, as well as a Name/Address record with both names?" Yes/No.	Answer is "Yes"	A. If appropriate, select the PPIA indicator for the SMO, LLC or both. This option is not applicable for a SMO/LLC IBTF-Express IA. Note: The IA process only allows for one PPIA indicator. If different types are selected only the PPIA Asset indicator will be reflected in the IA but both selections will write to the ICS history. B. Select the appropriate Employer Information, Financial Institution Information and status of the Notice of Federal Tax Lien. C. Input the SMO/LLC Payment Information. This information reflects the first and future payment due from both the LLC and SMO. Total payment will be the sum due from the LLC and SMO. D. If appropriate, update IBTF Monitoring field with FTD and Filing Requirement information. E. Click "Save" to submit for approval.
Yes, and more than one Name/Address record is present, You will receive a message: "Do you have separate "LLC is liable" and "Owner is liable" Name/Address records, as well as a Name/Address record with both names?" Yes/No.	Answer is "No"	A. You will receive a message: "Separate Name/Address records required for LLC is liable, "Owner is Liable" and as well as Name/Address record with both names. Create necessary Name/Address records" . B. Click "OK" C. Navigate to the Name/Address application and create the necessary Name/Address record(s). D. Return to the IA process and select the appropriate Name/Address for the IA. E. If appropriate, select the PPIA indicator for the SMO, LLC or both. This option is not applicable for a SMO/LLC IBTF-Express IA. Note: The IA process only allows for one PPIA indicator. If different types are selected only the PPIA Asset indicator will be reflected in the IA but both selections will write to the ICS history.

	<p>F. Select the appropriate Employer Information, Financial Institution Information and status of the Notice of Federal Tax Lien.</p> <p>G. Input the SMO/LLC Payment Information. This information reflects the first and future payment due from both the LLC and SMO. Total payment will be the sum due from the LLC and SMO.</p> <p>H. If appropriate, update IBTF Monitoring field with FTD and Filing Requirement information.</p> <p>I. Click "Save" to submit for approval.</p>
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14. The approval request generated to the group manager will reflect a closure type identifying the IA as an SMO/LLC.

15. No SMO/LLC questions are presented when Option B is selected as the method of closure.

5.14.7.3.3 (03-11-2011)

Approval and Monitoring of SMO/LLC IBTF-I/As

1. Once the Group Manager approves the IA, a systemic ICS history is created stating the IA was systemically uploaded to IDRS (Status 60).
2. A systemic history is generated that contains the SMO/LLC payment information and the statement, "Single Member Owner/LLC Installment Agreement – See Attachment", which is populated in the Additional Conditions section of the Form 433D and in the Letter 2850.
3. After the Group Manager approves the IA, an ICS Print Manager Dialogue box provides the option of e-mail (to the initiating RO or Group Secretary) or immediate printing of the "Attachment to the SMO/LLC IA" along with the Form 433-D, Letter 2850, and the Form 3210.
4. Distribute the printed material as follows:
 - Mail Letter 2850 with the *Attachment to SMO/LLC Installment Agreement* to the taxpayer and representative, if applicable.
 - Include the Form 433-D with a copy of the *Attachment to SMO/LLC Installment Agreement* in the case file. Write "**SMO/LLC IBTF-IA**" in red across the top of the Form 433-D.
 - Attach the ICS generated Form 3210 to the case file. Write "**SMO/LLC IBTF-IA**" in red in the body of the Form 3210. Forward to CCP for monitoring.
5. ICS will generate the following Subcodes and Location Codes for these types of agreements:
 - 906 – SMO/LLC IBTF IA; Location Code – IBTF
 - 907 – SMO/LLC MMIA; Location Code – IBTF
 - 908 – SMO/LLC IBTF Express; Location Code - IBTX
6. CCP will take the actions listed in IRM 5.4.11 for input and monitoring on these types of I/As which includes issuing separate default notices to the SMO and LLC.

5.14.7.4 (03-11-2011)

In-Business Trust Fund Installment Agreements Requiring Financial Analysis and Determining Ability to Pay

1. If Notices of Federal Tax Lien were not previously filed, make a lien determination. (See IRM 5.14.1.4.2 and IRM 5.12.2.4.)
2. Verify current compliance with filing and deposit requirements.
3. Consider the procedures in IRM 5.7.2 for special deposits and monthly filing.
4. Determine the taxpayer's ability to pay. (In addition to the information provided in this sub-section, also see IRM 5.14.1.5).
5. Secure Form 433B, Collection Information Statement (CIS) for Businesses and, if appropriate, Form 433A, CIS for Individuals. If these in-business taxpayers can fully pay liabilities from current assets and/or income they do not qualify for installment agreements. Full payment should be requested.

Exception:

It is not required that Form 433B be secured if taxpayers qualify for *Express* agreements. Since the qualifying liability amount is determined at the time the case is received in inventory, the taxpayer may not make payments to reduce the unpaid balance of assessments to the amount ≡ ≡ ≡ ≡ in order to qualify for "Express" agreements (See IRM 5.14.5.4(1)(a)).

Note:

See IRM 5.15, Financial Analysis, for more information on how to complete these forms and how to determine ability or inability to pay.

6. For agreements on accounts up to ≡ ≡ ≡ ≡ that will satisfy liabilities within 5 years:
 - A. No verification of the CIS is required;
 - B. Input bank and receivables information on ICS.
 - C. If appropriate, request that taxpayers sell assets or borrow on equity in assets in order to make payment on the delinquent taxes; and,
 - D. As noted in IRM 5.14.7.2(1)(b), ensure that the taxpayer has the ability to pay current operating expenses as well as current taxes.
7. For all other agreements (those that do not meet *Express* criteria, or are above ≡ ≡ ≡ ≡, [see IRM 5.14.7.3.1(6)]):
 - A. Verify income and expenses. Use bank statements to verify both income and expenses;
 - B. Request documentation if assets, liabilities, expenses or income appear questionable;
 - C. Complete record checks to determine ownership and equity in real and personal property, including motor vehicles;
 - D. If appropriate, request that taxpayers sell assets or borrow on equity in assets in order to make payment on the delinquent taxes.
 - E. As noted in IRM 5.14.7.2(1)(b), ensure that the taxpayer has the ability to pay current taxes as well as operating expenses and delinquent taxes.
8. Check corporate officer, partner and LLC member individual compliance. Although installment agreements are based on the taxpayers' ability to pay, it is the Service's policy to check that the principals of taxpayer businesses are in compliance with their filing requirements when considering an installment agreement for the business. For further information on compliance checks see:

- IRM 5.1.11.2.3 regarding compliance checks in general;
- IRM 5.14.1.4.1(2)(b) regarding sole proprietors and LLCs; and
- IRM 5.14.4.3 regarding "Installment Agreements and Multiple Entities."

9. Consider a Trust Fund Recovery Penalty (TFRP) assessment. (See IRM 5.14.7.4.1 and review the procedures provided in IRM 5.7.4.8 and IRM 5.7.8.)

Note:

IBTF *Express* agreements do not require TFRP consideration, nor cross compliance checks on officers, partners or LLC members.

5.14.7.4.1 (03-11-2011)

Trust Fund Recovery Penalties and Installment Agreements

1.

Before granting installment agreements the trust fund recovery penalty must be considered, the assessment statute expiration date protected, and an assessment determination made on all in-business trust fund cases, excluding IBTF Express, see IRM 5.14.7.4.

2. Area management must ensure consideration is given to securing waivers to extend the statutory period for assessment from each responsible individual when the delinquent taxes will not be fully paid prior to the original ASED.
3. When soliciting waivers from responsible individuals, notify them of their right to refuse to extend the period of limitations, or to limit such extension to particular issues, or to a particular period of time. Taxpayers must be notified of their right of refusal each and every time they are requested to sign a waiver extending the period for assessment.
4. It should be fully explained to taxpayers that signature on a waiver, extending the TFRP period for assessment, will allow the Service to collect the delinquent and accrued taxes from the business through an installment agreement which extends beyond the original TFRP Assessment Statute Expiration Date (ASED).
5. ASEDS should be extended to the end-date of agreements, plus *one year*, to allow for skipped payments and interest rate changes. (Use CC ICOMP)

Note:

Extend the ASED on all trust fund tax modules to the end-date of the agreement plus one year, even if some trust fund balances due will be fully paid with the first installment payment.

6. In general, do not request assessment of Trust Fund Recovery Penalties (TFRPs) if business taxpayers meet the terms of installment agreements. However, TFRPs must be considered on the potentially responsible persons of the business entity based on the following procedures.
7. If the agreement will not fully pay all balances due at least a year before the earliest Assessment Statute Expiration Date (ASED), then:
 - A. Assemble all documentation for completion of the penalty to the point of proposing assessment;
 - B. Complete interviews for all potentially responsible persons, and any other interviews necessary to determine responsibility and willfulness;
 - C. Secure 433A (Collection Information Statement) from all potentially responsible persons. Conduct financial analysis to determine whether the penalty, if assessed would be collectible;
 - D. Request signature of Form 2750, "Waiver Extending Statutory Period for Assessment of Trust Fund Recovery Penalty" from all potentially responsible officers. See IRM 5.14.7.4.1(1) through (4); and
 - E. If a potentially responsible officer refuses to extend the ASED, and the trust fund recovery penalty is determined collectible, complete and recommend assessment of the TFRP for that responsible person.
8. If potentially responsible persons have the ability to pay from current assets or income, request payments be made to reduce the trust fund portion of the liability. If they have the ability to make a significant payment or payments on the trust fund portion of liabilities, but do not make such payments (or do not make plans for payment from personal assets), consider recommending assessment of the TFRPs. If TFRPs are assessed on these cases, lien determinations should be made and, if appropriate, liens should be filed, and in most cases no other collection action should be taken during installment agreements.

However, if after assessing the TFRP the responsible person still does not make plans for payment from personal assets, other collection action may be taken. Before taking collection action against the responsible person, document the ICS history on why the action is being taken (since the corporate or LLC entity is in an IA) and group manager concurrence must be secured before such action commences.

Exception:

If taxpayers are currently "repeaters", the trust fund recovery penalty normally will be assessed. (See IRM 5.14.7.2(1)(c).)

In these instances in which the decision is to withhold collection of the assessed TFRP while the business is paying through an installment agreement, include the responsible person(s) SSN as a related TIN on the IBTF installment agreement. This will place the MFT 55 modules in Status 63 pending the business's compliance with the IA. (See IRM 5.14.4.3.)

Note:

Only MFT 55 modules related to the IBTF agreement can be included in this process. Other MFT liabilities (for instance, MFT 30 liabilities) must be resolved separately.

9. Upon completion of the trust fund recovery penalty recommendation process on ATFR (Automated Trust Fund Recovery Application) complete Form 3210 to transmit the case to Control Point Monitoring (CPM).
10. If TFRPs are assessed, notify these taxpayers:
 - A. they should respond to notices regarding the TFRP; and,
 - B. payments made to the TFRP accounts will be offset against the corresponding corporation or LLC accounts upon which the TFRP was based.
11. Trust Fund Recovery Penalty accounts and case files require *SPECIAL HANDLING* during in-business trust fund installment agreements.
 - A. If the TFRP investigation has been completed, but is not being assessed (see IRM 5.14.7.4.1(7)), the TFRP administrative file must be completed and attached to the approved IBTF-IA case file being sent to Centralized Case Processing (CCP) at Mail Stop 5-E04.117. Add a cross-reference to the BMF account on ICS. Label the file "**Unassessed TFRP-IBTF IA Backup Documents – Earliest ASED is:**". The administrative TFRP file and case file must be retained together as one file in CCP for the length of the IBTF-IA.
 - B. If the TFRP assessment has been made, make lien determinations on these accounts.

C. If the TFRP assessment has been made and collection is being withheld while the business is paying through an IBTF agreement and a lien determination has been made, the TFRP assessment (MFT 55) should be included as a related TIN on the IBTF IA. (See IRM 5.14.7.4.1(8)). Label the file "**Assessed TFRP BALDUE file to associate with IBTF IA – EIN xx-xxxxxx**."

12. If TFRP investigations are incomplete but all other actions and analysis necessary for granting installment agreements have been completed:

- A. Group managers should approve agreements; and
- B. OIs must be opened for revenue officers to complete the TFRP investigation.
- C. Complete lien determinations as provided in IRM 5.14.7.4.1(11)(b). Liens may be filed if appropriate. Follow procedures in IRM 5.14.7.4.1(8) if enforcement action is warranted on these accounts.
- D. Once the TFRP has been completed, assessed and a lien determination made (and, if appropriate, notice of federal tax lien filed), forward the file to the Control Point Monitoring (CPM). (See IRM 5.7.6, Trust Fund Penalty Assessment Action).

Note:

See IRM 5.7.4.8.1(5) if agreements will fully pay balances due more than one year prior to ASEDs.

13. TFRPs must be considered and, if appropriate, assessed in connection with consideration of installment agreements for any out-of-business corporation or out-of-business LLC that is identified as the liable taxpayer.

**5.14.7.4.2 (03-11-2011)
Approval and Monitoring**

- 1. Inform taxpayers installment agreements require approval.
- 2. Unapproved agreements may not be held to monitor compliance.

Note:

See IRM 5.14.3.1 on requesting and accepting payments when installment agreements are NOT in effect and during pending installment agreements.

- 3. These cases will be monitored in Centralized Case Processing. Choose the appropriate closing action on ICS - "CCP (PSC) - IBTF - IA (NF Item in CCP)." Upon approval of the IBTF IA, ICS will close the balance due modules and systemically create an NF Item and reassign to CCP. These NF items will be monitored in CCP.
- 4. If you have a case that is an IBTFIA that is paid using the direct debit payment option, see IRM 5.14.10.5 for procedures.
- 5. Form 433D completion on ICS sends an approval notification to the manager under Option A only. No approval notification is sent to the manager under Installment Agreement Option B on ICS. You must forward the case file, along with the paper Form 433D, to the group manager for their approval and signature.
- 6. Once the Group Manager approves the IBTF-IA under Option A, an ICS history is created stating the IA was systemically uploaded to IDRS (Status 60). Generation of the acceptance letters and Forms 3210 have not changed. You are still responsible for mailing of the L2849 or L2850 to the taxpayer and power of attorney, if applicable, whether Option A or B is used.
- 7. Option A on ICS: Approval by the group manager using the ICS Installment Agreement Option A generates:
 - A. Transaction code (TC) 971 Action Code (AC) 063,
 - B. Approval notification to the revenue officer.
 - C. An original and copy of the Form 433D .
 - D. Letter 2849 or 2850: These letters provide taxpayers with notice of the approval of their agreement as well as the terms and conditions of the agreements.
 - E. A NF item (Other Investigation) for Centralized Case Processing to monitor the case.
 - F. An Agreement Locator Number (ALN) "0215" if the only condition of the agreement is that it is an IBTF. (See Exhibit 5.14.1-2); Subcode of "900" ; and a Location Code of "IBTF" .
 - G. Form 3210 for transmitting the case file to CCP at Mail Stop 5-E04.117.
- 8. Use Option B only if hard copy (non-ICS) installment agreements are used and approved.
- 9. Option B generates only those items listed in IRM 5.14.7.4.2(7)(b), (e) and the subcode of "900" listed in (f).
- 10. After approval, revenue officers must ensure that taxpayers:
 - A. are informed payments must be made whether or not notices are received from a Campus, and
 - B. receive Letter 2849/2850 or approved Form 433D.

Note:

The Letters 2849/2850 will provide a Campus payment address based on the taxpayer's location.

11. In-business trust fund installment agreements (IBTF-IA) input to IDRS Status 60 must be monitored in **Centralized Case Processing**. Forward approved agreements to Centralized Case Processing along with the unassessed Trust Fund Recovery Penalty administrative file, if one was prepared after taking the actions described above (See IRM 5.14.7.4.1 and IRM 5.14.9.4(5)).

Note:

ICS templates provide the "MMIA or IBTF-IA Closing Document" to assist in preparing these agreements for submission to CCP.

12. In-business Trust Fund IA (IBTF-IA) case files will be submitted to CCP with the form 433-D on top, for monitoring. Write "IBTFIA for input and monitoring" in *RED* ink across the top of the form 433-D. The form 3210 is systemically generated on ICS with the following address:

Internal Revenue Service

2970 Market Street

Mail Stop 5-E04.117

Philadelphia, PA., 19104

13. Centralized Case Processing:

- A. will not accept installment agreements for monitoring unless CSEDs and ASEDs have been properly addressed, and the case file has been properly identified per IRM 5.14.7.4.1(11). CCP is not responsible for reviewing the validity of the CSEDs and ASEDs of installment agreements it receives (for monitoring) either on initial receipt, nor on an ongoing basis.
- B. *is*, however, responsible for ASEDs and CSEDs associated with liabilities accrued while cases are assigned to it for monitoring.
- C. will ensure proper case actions are taken if taxpayers do not remain in compliance with the filing and paying requirements during installment agreements. Newly accrued liabilities are the responsibility of Centralized Case Processing up to the point the case is transferred to a field group or other disposition or resolution for the case is determined.

14. ICS will systemically close the balance due modules and assign an NF item to Centralized Case Processing. The assignment numbers for Centralized Case Processing are as follows:

- AO = 35
- TO = the Territory – 70 range
- XX = the unit in Centralized Case Processing that will be responsible.

Note:

The unit monitoring number (XX) will be one of four numbers: 66, 67, 68, or 69.

- 00 = the group manager of Centralized Case Processing.

15. Systemic transfer of accounts to Centralized Case Processing servers will occur when IBTF IAs are approved.

Exception:

IBTF Express agreements are not monitored in Centralized Case Processing (see IRM 5.14.5.4.)

- A. Advise the taxpayer that the case is being transferred for continuous monitoring, and financial reviews may be conducted.
- B. The NF item created when installment agreements are approved provide a list to check that includes installment payment; quarterly amounts to be deposited; and returns the taxpayer is required to file.

5.14.7.4.3 (08-05-2010)

Monitoring In-Business Trust Fund Accounts By Centralized Case Processing

1. See IRM 5.14.7.4.2 and IRM 5.14.9.4(5) for ICS and assignment instructions.
2. After the revenue officer has closed the case with an In Business Trust Fund Agreement on ICS, a NF item is automatically opened for monitoring in Centralized Case Processing Support. See IRM 5.4.11 for details on the monitoring process.

Note:

If the taxpayer has been advised of the approval of the installment agreement (mailed or given approved agreement or a letter stating the agreement was approved) it is considered to be a valid agreement. Even if periods were not included, the agreement may only be defaulted and terminated for the reasons listed in IRM 5.14.11.3.

3. The Centralized Case Processing employee will monitor the case monthly to ensure taxpayers:
 - A. File federal tax returns when due; and
 - B. Pay additional liabilities when due.
4. If taxpayers remain in compliance with filing, paying and depositing requirements, no further case actions or contact is necessary, until the agreement is completed.
5. If the taxpayers do not complete any one of the items in IRM 5.14.7.4.3(4), refer to IRM 5.4.11 for the procedures CCP will follow.

5.14.7.5 (08-05-2010)

Payments on Trust Fund Accounts During Approved In-Business Trust Fund Installment Agreements

1. Due to the Trust Fund Recovery Penalty (TFRP) (reference is Internal Revenue Code 6672) more than one entity or individual may be liable, or become liable, for the trust fund portion of liabilities (penalty amounts). Therefore, when businesses enter into installment agreements the entities or individuals liable for the TFRP may prefer (and request that) the business's payments be applied to the trust fund portion of the balance due accounts. If this occurs, the business should be notified that:
 - A. Installment agreement payment application is governed by the terms of the agreement.
 - B. As stated on the agreement form: "We will apply all payments on this agreement in the best interests of the United States."
 - C. Taxpayers *are not permitted to designate installment agreement payments*.
 - D. Installment agreement payments will be applied in the best interests of the United States, regardless of the policy to apply payments to tax first and then to penalties and interest when dealing with trust fund modules.
2. Individuals who are potentially responsible for TFRPs should be encouraged to make payments from their own resources. These payments are not considered to be installment agreement payments. (See IRM 5.14.1.2(7) and IRM 5.14.1.3(10)(Example (4).) In addition, the following examples further illustrate common interactions between installment agreements and TFRPs:

A. Example:

(1) ABC Inc., has not made a request for an installment agreement. Mr. Smith, officer of ABC Inc., tells the revenue officer that he will pay \$500 per month toward the trust fund portion of a tax liability with personal funds. The trust fund penalty has not been assessed and Mr. Smith has not yet been determined to be responsible for a TFRP. Also, the balance due period(s) from which the liability may be derived have not been specifically identified. Since the liability has not been identified this is

not a pending installment agreement. Also, Mr. Smith must be informed that any payments will be considered "voluntary", and may be applied according to his instructions. Information regarding the contact must be documented in the case history. (See also IRM 5.14.3.1(3) and (5) regarding the distinction between "voluntary", "installment agreement", and "requested" payments).

Example:

(2) (Same scenario as Example 1 above except...) Mr. Smith has signed Form 2751 regarding the trust fund recovery penalty of ABC Inc. As long as Mr. Smith provides a specific payment amount (and his request includes the information required by IRM 5.14.1.3(4)) this is a pending installment agreement. Note that the installment agreement is pending for Mr. Smith's TFRP, *not for ABC Inc's balances due*.

Example:

(3) LMNOP Inc. enters into an installment agreement requiring payment of \$500 per month. The corporation does not make payments from corporate funds. Instead, corporate officers Jones and Johnson take turns designating payments of \$500 per month with their personal funds on behalf of LMNOP Inc. Although they write on their checks that the payments should be applied to the trust fund portion of the liabilities, these payments may be applied in the best interest of the government. (See IRM 5.14.7.5(1)).

Example:

(4) Same as Example 3, except LMNOP makes its monthly payment of \$500 from corporate funds. In addition to the installment agreement payments made by the corporation, the officers make payments as described above. These payments, made in addition to the payments made by the corporation under the agreement, may be applied according to the officers' instructions.

Note:

See also Example 4 in IRM 5.14.1.3(10).

Example:

(5) Same as Example 4, except LMNOP makes its monthly payment of \$500 from corporate funds. In addition to the installment agreement payment the corporation makes an additional \$500 designated payment to the trust fund portion of their liability. Designated payments made in addition to the payments made by the corporation under the agreement, are considered voluntary payments which can be designated and applied according to the taxpayer's instructions.

[More Internal Revenue Manual](#)



Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 9. Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals

5.14.9 Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals

- 5.14.9.1 [Overview](#)
- 5.14.9.2 [Managerial Approval](#)
- 5.14.9.3 [IDRS Monitoring](#)
- 5.14.9.4 [Routine Installment Agreements](#)
- 5.14.9.5 [Manually Monitored Installment Agreements \(MMIA\)](#)
- 5.14.9.6 [Securing Installment Agreements Through Other Investigations \(OI\)](#)
- 5.14.9.7 [Independent Administrative Review after Recommended Rejection of Installment Agreement Requests](#)
- 5.14.9.8 [Collection Appeals Program](#)
- 5.14.9.9 [Referrals to the Taxpayer Advocate Service \(TAS\)](#)
- 5.14.9.10 [Installment Agreement User Fees: Authority; General Information; and Cross Reference to IRM 5.19.1.5.5.5](#)

5.14.9.1 (08-05-2010)

Overview

1. This chapter provides procedures for approval and monitoring of installment agreements, including the level of approval authority necessary for different types of agreements. It also provides procedures for providing taxpayers with an independent administrative review when a revenue officer plans to reject a request for an installment agreement. The chapter also provides policy and procedures for providing taxpayers appeal rights on rejected requests for agreements, defaulted agreements and terminated installment agreements.

Note:

If the taxpayer is not in filing compliance (See IRM 5.14.1.3(4)(d), the case should not be sent to the Independent Administrative Reviewer.

5.14.9.2 (08-05-2010)

Managerial Approval

1. Group Managers must approve most installment agreements. Specifically, installment agreements must be approved by managers when:
 - A. the aggregate unpaid balance of assessments exceeds \$25,000 or will not be fully paid in 60 months or less [See (2) below];
 - B. an in-business trust fund taxpayer is involved ;
 - C. the taxpayer defaulted on a previous installment agreement;
 - D. the taxpayer is allowed to skip more than 2 payments in a 12 month period (including systemic skip);
 - E. there is an extension of the statutory period for collection, regardless of the length of the agreement or the amount of tax at issue; or
 - F. partial payment installment agreements in accordance with the procedures provided in IRM 5.14.2.1 are involved.
2. Group Managers have the authority to approve *all* installment agreements, including partial payment installment agreements secured in connection with CSED extensions. There is no dollar limit set for group manager approval of installment agreements. (See also IRM 5.14.1.4(3) regarding no dollar limits and IRM 5.14.2.2(18) on processing requirements with waivers.)
3. After all necessary case actions are taken, including thorough documentation of completed investigations and financial analysis (see IRM 5.14.1.4), submit installment agreements to managers for review and approval. Case histories must be noted that installment agreements are pending and TC 971 AC 043 was input. (See IRM 5.14.1.3). Inform taxpayers if approval of agreements is delayed. If managers do not approve installment agreements, refer to IRM 5.14.9.7 regarding Independent Administrative Review.
4. After investigation, analysis and necessary actions, immediately request managerial approval of installment agreements (or input of installment agreements for those cases that do not require managerial approval.) Installment agreement payments may not be accepted and posted as such unless installment agreements are approved. Do not monitor cases to ensure taxpayers make payments before submitting for approval. (See IRM 5.14.3.1 regarding requesting payments.)
5. When installment agreements are approved by Collection Field function on taxpayers assigned to ACS, the ACS call-site should be contacted immediately and informed of the agreement. This requirement is in addition to the requirement to input TC 971 AC 043 and/or 971 AC 063.
6. Managers must approve all revisions or adjustments to current installment agreements unless the conditions of IRM 5.14.11.7(2) are met. Cases meeting the criteria of IRM 5.14.11.7(2) require no managerial approval if taxpayers have not been in default of agreements in the prior 12 months.
7. If an existing installment agreement is modified, Collection field function employees will prepare Form 4844 for IDRS input and attach it to the new Form 433-D or 2159 and the CIS. If the only change is the due date, complete Form 4844, and submit it for approval and IDRS input. Regarding revised agreements, the CSEDs may not be extended on balances due included in old agreements. If new agreements are entered into, CSEDs may be extended on those balances due included in old agreements as well as on balance due periods that have not previously been included in an installment agreement. (See IRM 5.14.2.2(4) and IRM 5.14.11.7(4).)

5.14.9.3 (08-05-2010)

IDRS Monitoring

1. The Integrated Data Retrieval System (IDRS) is used to monitor most Installment agreements for timely payments on accounts, as well as to determine whether taxpayers remain in compliance with current filing and paying requirements. IDRS also monitors agreements based on the locator numbers recorded at the time agreements are input. (See Exhibit 5.14.1-2).

Note:

Some agreements require special monitoring, such as when accounts reside on the Non- Masterfile (NMF) or if payment amounts are varied. These accounts must be manually monitored. See IRM 5.14.9.5

2. Follow ICS on-screen and help screen instructions to ensure installment agreements are routed properly for IDRS monitoring.
3. Use IDRS to monitor installment agreements for IMF, out-of-business BMF, or in-business BMF modules in either notice or balance due status meeting these criteria:
 - A. the payment must be for a fixed amount;
 - B. the agreement must be monthly because even though payments may be submitted more often, IDRS monitors monthly; (anything other than a monthly payment increment should be processed as a manually monitored installment agreement);
 - C. all payment due dates are limited to calendar days 1 through 28.
4. To allow for timely input to IDRS, agreements should schedule the first payments to be at least 30 days after the date agreements are input, with the exception of DDIA's (See IRM 5.14.10).
5. If a payment is received in the area office on an IDRS-monitored installment agreement, use Designated Payment Code (DPC) "99" on the posting document. Refer to Document 6209 for information on the use of Designated Payment Codes.

5.14.9.4 (03-11-2011) Routine Installment Agreements

1. Accounts are considered routine installment agreements when the type of debt does not meet the criteria for any other type of IA (Guaranteed, Streamlined, IBTF or IBTF-Express). In order to close BMF accounts as routine, all employment tax filing requirements must be closed.
2. The preferred method of closing a Routine IA is by choosing Option A on the ICS Installment Agreement menu. Choosing this method of closure allows the IA to be systemically uploaded from ICS to IDRS (Status 60).
3. After the Group Manager approves the IA, an ICS Print Manager Dialogue box provides the option of e-mail or immediate printing of the Form 433-D and Letter 2850. A systemic ICS history is created stating the IA was systemically uploaded to IDRS.
4. Generation of the acceptance letter and Form 3210 have not changed with the systemic upload process. You are still responsible for mailing of the Letter 2850 to the taxpayer and power of attorney, if applicable.
5. Write "FILE COPY" in RED ink along the top of the Form 433-D and place it in the closed case file. Send the closed case file to CCP on the Form 795-B or a manually created Form 3210 to:

Internal Revenue Service

2970 Market Street

Mail Stop 5-E04.115

Philadelphia, PA., 19104

6. If a hard copy of the Form 433-D was prepared and approved outside of ICS, select Option B under the Installment Agreement menu to close the case on ICS. Use the systemically generated Form 3210 to route the agreement form (Form 433D) on top of the case file to CCP for input into IDRS at Mail Stop 5-E04.114.
7. Option B does not systemically generate an approval notification, Form 433-D or the Letter 2850. Create the Letter 2850 from the Installment Agreement menu under the Templates Listing on ICS. It is your responsibility to mail the letter to the taxpayer and power of attorney, if applicable.

5.14.9.5 (03-11-2011) Manually Monitored Installment Agreements (MMIA)

1. Certain assessments and agreements are not compatible with IDRS monitoring. The types of agreements listed below must be manually monitored in Centralized Case Processing to ensure compliance with the terms of agreements:
 - A. NMF assessments in either notice or Bal Due status;
 - B. agreements calling for variable or percentage amounts;
 - C. agreements with irregular payment intervals;
 - D. BMF agreements secured from two or more parties at different addresses on the same liability (partnerships, multiple entities, etc.)
 - E. L Freeze modules during pending Joint and Several Liability Relief Under IRC section 6015 claims;
 - F. any other agreement not compatible with IDRS monitoring.
2. Status 60 is not input on manually monitored installment agreements. The modules will remain open on ICS and will be transferred to Centralized Case Processing for monitoring.
3. Select "MMIA — Centralized Case Processing" in either Option A or Option B on the ICS Installment Agreement menu. The preferable option is Option A. (See IRM 5.14.7.4.2(5) for IBTF Cases.)
4. ICS Installment Agreement Option A is used when no Form 433D has been prepared nor approved prior to submission of the agreement for approval on ICS. Approval by the group manager using ICS Installment Agreement Option A generates:
 - A. Transaction code (TC) 971 Action Code (AC) 063);
 - B. Approval notification to the revenue officer;
 - C. An original and copy of the Form 433D ;
 - D. Letter 2850: This letter provides taxpayers with notice of the approval of their agreement as well as the terms and conditions of the agreements; and
 - E. Form 3210 for transmitting the case file to CCP at Drop Point N-809.

5. ICS Installment Agreement Option B should be used if a hard copy Form 433D was prepared and approved outside of ICS. Option B does not generate the systemic information discussed in IRM 5.14.9.5(4)(b),(c) &(d). Use of Option B requires that the contact employee complete the following actions after managerial approval:

- A. Provide the taxpayer (and power of attorney if applicable) with Letter 2850 from the ICS Installment Agreement Template menu.
- B. Use the systemically generated Form 3210 to forward approved agreements to Centralized Case Processing along with the original case file to Mail Stop 5-E04.117.
- C. To ensure proper disposition, write "Manually Monitored IA" in red ink on the top of Form 433-D.

6. Use IRM 5.14.1-2 to choose the appropriate Agreement Locator Number (ALN). ICS will automatically set the subcode to "901" and the location to "MMIA" .

7. Advise taxpayers that the Letter 3856, MMIA Payment Reminder Notice, which includes a payment stub and envelope, will be mailed to them .

8. When posting payments to manually monitored installment payments, use DPC "10" on posting documents. This code is designed to allow accumulation of data on these non-IDRS monitored agreements. See Document 6209 for information regarding other designated payment code indicators.

9. Refer to IRM 5.4.11 for CCP's monitoring procedures on MMIA's.

10. See IRM 5.14.11 for procedures on defaulted and terminated manually monitored installment agreements.

5.14.9.6 (08-05-2010)

Securing Installment Agreements Through Other Investigations (OI)

- 1. If an installment agreement is granted while processing a courtesy investigation (OI) and transfer of the balance due account is accepted, process the installment agreement (Form 433-D or Form 2159) per the instructions found in the applicable IRM 5.14 section based on the type of IA secured.
- 2. If transfer is **not accepted**, ensure the pending installment agreement indicator (TC971 AC043) is input to IDRS. Return the installment agreement form (Form 433-D or Form 2159) to the initiator of the courtesy investigation for approval and processing.

5.14.9.7 (08-05-2010)

Independent Administrative Review after Recommended Rejection of Installment Agreement Requests

1. In accordance with Internal Revenue Code sections 6159(f) and 7122(e) taxpayers are entitled to independent administrative reviews of rejected requests for installment agreements. Contact employees (including revenue officers) and managers must ensure that all actions relative to this review are documented in case histories, including:

- A. the date the case is sent to the independent reviewer;
- B. the date the case is received from the independent reviewer; and
- C. the date the case is forwarded for second level review (if applicable).

Note:

Independent administrative review is not required in cases in which the installment agreement request is not identified as "pending" due to noncompliance with filing requirements.

2. When planning to reject a request for an installment agreement:

- A. Notify taxpayers that rejection of the request is being recommended if that is the next planned action, but do not notify taxpayers of actual rejection of the installment agreement request until after independent administrative review (See IRM 5.14.1.4(5)(c)).
- B. Managers must review and concur with plans to reject installment agreement requests prior to independent administrative review.

Note:

This is accomplished by signing Form 12233 (see IRM 5.14.9.7(3)(e)) and if available, making a notation in the case history on the Integrated Collection System.

C. If managers request additional information or action, these should be requested of the taxpayer or gained from the appropriate source, without commenting to the taxpayer regarding approval status of the agreement other than that the request is being considered. Also, set deadlines in accordance with the procedures provided in IRM 5.14.3.1, if appropriate.

D. In addition to exercising care with regard to conveying rejection of requests, exercise care regarding conveying acceptances. Specifically, though the plan to accept an installment agreement request can be shared, *do not convey acceptance if a request requires managerial approval until approval is obtained.*

3. If rejection is the next planned action, the installment agreement case file will be sent to the Independent Administrative Reviewer along with:

- A. Form 12233, "Independent Review PRIOR to Rejection of Request of Installment Agreement" ;
- B. a statement regarding the reason(s) for the proposed rejection. Bear in mind that the basis for the rejection of an installment agreement request could be the subject of an immediate appeal or a future Collection Due Process hearing;
- C. IDRS printouts associated with the case file, including IDRS CC ICOMP. (See IRM 5.14.9.2 regarding approvals);
- D. any documentation submitted by the taxpayer in connection with the installment agreement request;
- E. Form 12233 must be signed by the employee responsible for the rejection determination and the employee's manager; and
- F. Record on Form 12233 the date it was forwarded for independent review.

Note:

Installment agreements are not considered "pending" if taxpayers are not in compliance with filing requirements (See IRM 5.14.1.4.1), and therefore they do not require Independent Administrative review.

Note:

See "Exception" in IRM 5.14.9.7(11) below.

4. The Independent Reviewer will add the case to ICS no later than five business days after receipt.

5. The "Independent Administrative Reviewer" reviews the decision to reject installment agreement requests independent of employees' and managers' opinions. The reviewer must exercise independent judgment to determine if rejection of the installment agreement request is appropriate. The reviewer should use problem solving and negotiation techniques and consider the taxpayer's perspective when working toward case resolution. (See IRM 5.14.1.4.3(11) regarding information relayed to taxpayers before independent review.)

6. In deciding to uphold or overturn a proposed rejection, reviewers should:

- A. Consider the case as a whole;
- B. Focus on the reasons for the proposed rejection given by the contact employee (or, if appropriate, the reasons for the proposed rejection given by the group manager);
- C. Determine whether the proposed installment agreement would fully pay the liability before the CSED (see IRM 5.14.2.1 for exceptions). Use IDRS CC ICOMP or other source to support the decision to reject an installment agreement request for this reason;
- D. Review the analysis of the taxpayer's financial condition to determine whether the payment amount requested by the taxpayer is adequate, given the taxpayer's ability to pay;
- E. Determine whether the taxpayer is in compliance with the filing requirements (See IRM 5.14.1.4.1);
- F. Determine whether positions expressed by the taxpayer were considered in the interview or review process; and
- G. Determine if reasons for rejection provided by the revenue officer or his/her manager should be provided to the taxpayer. Considering that the basis for the rejection can be the subject of an immediate appeal or a future Collection Due Process hearing, there should be very few circumstances when the taxpayer should not be told of the reasons for rejection. The reviewer should ensure that the reasons for rejection are well documented in the file including, as necessary, why a partial payment installment agreement was not appropriate.

7. The reviewer may:

- A. Recommend that taxpayers be granted installment agreements (of the same amount proposed by taxpayers, or a different amount). See IRM 5.14.2.1 regarding Partial Payment Installment Agreements;
- B. Concur with decisions to reject agreement requests;
- C. Suggest modifications or conditions to agreements;
- D. Request additional documentation from revenue officers or other contact employees; and/or
- E. Request revenue officers or other contact employees gain additional information or documentation from taxpayers.

8. Reviewers will provide *all reasons* for concurring (or not concurring) with decisions to reject installment agreement requests in the remarks section of Form 12233, Independent Review Form. Bear in mind that the basis for the rejection of an installment agreement request could be the subject of an immediate appeal or a future Collection Due Process hearing.

9. Reviewers must sign and record the date that cases were reviewed on the review form. The reviewer's original signature must be on Form 12233 and any attachment thereto. IAR reviews will be completed and a determination made no later than 15 business days from opening the ICS OI.

10. Independent Reviewers may not substitute Form 5942 "Reviewers Report - Technical Services Advisory" for Form 12233. No other forms, or other history or narrative may be substituted for Form 12233. If a longer narrative is required than space allows on Form 12233, an attachment is allowed. For ICS users, entries in the case histories are appropriate, but history entries cannot be substituted for Form 12233. The independent reviewer's history entries may be printed and attached to Form 12233, with a note on the Form 12233 stating: "See Attached" .

11. The disposition of the review will be recorded on Form 12233. If the reviewer finds:

- A. Rejection is inappropriate, then the case file and Form 12233 will be returned to the manager, clearly recommending acceptance of the agreement.
- B. Rejection is appropriate, then the case file and Form 12233 will be returned to the manager, clearly concurring with the rejection decision, so that an answer regarding the installment agreement request can be conveyed to the taxpayer.
- C. If additional information is necessary to make a determination, then the case file and Form 12233 will be returned to the manager with a request for specific information and/or action. The reviewer will allow 10 days for a response. If the contact employee cannot complete the actions within 10 days, an interim response must be provided to the Independent Reviewer, with reasons why the 10 day time-frame could not be met.

12. If a case is returned to a revenue officer (or other contact employee), the revenue officer or other contact employee will take the actions directed by the reviewer. If reviewers recommend acceptance of agreements, this information should be relayed to taxpayers, and agreements should be processed.

Exception:

If, after reviewing the reviewer's report a revenue officer still believes rejection is the proper action, the case file will be resubmitted to the reviewer, along with additional information and an explanation that supports rejection of the installment agreement request. If no resolution can be reached, the decision will be elevated to second level management (Territory Manager).

13. If a decision to reject an installment agreement request is sustained by the Independent Reviewer:

- A. rejection and, except in rare cases, the basis for rejection must be communicated to the taxpayer by issuing Letter 4052 "Rejection of Proposed Installment Agreement" found on the ICS Installment Agreement Template menu;
- B. specific amounts and conditions for acceptance of the agreement request must be provided to the taxpayer when they are informed of the rejection decision, if sufficient information has been provided to make this determination and an installment agreement is an appropriate resolution;

Note:

If the taxpayer later proposes an *amount less than* what previously was communicated to the taxpayer as being acceptable, this proposal will be deemed as an installment agreement request to delay collection, not requiring another independent review, unless there has been a change in the taxpayer's circumstances. Approval by the group manager is required. (See also IRM 5.14.3.2 and IRM 5.11.1.3.9(4) Notices of Levy and IRM 5.14.3.2(2) (first bullet) and all of paragraph (3) in that section for other examples of delay.)

- C. taxpayers must be provided the right to appeal decisions to reject installment agreement requests (See IRM 5.14.9.8); and

Note:

If the taxpayer requests an appeal, note all applicable information on Form 12233, including the date of issuance of Form 9423 "Collection Appeal Request" to the taxpayer, the date of receipt of completed Form 9423 "Collection Appeal Request" from the taxpayer, and the date the file was forwarded to Appeals.

- D. If levy is the next intended action, then Letter 1058(DO) or 3174P may be issued to taxpayers at the same time that the rejection of pending installment agreements is communicated to taxpayers using the Letter 4052. See IRM 5.11.1.2.2.2 and IRM 5.11.1.2.2.6 regarding the appropriate letter to use. See IRM 5.7.8.3(6) for exceptions to levy being the next intended action.

Note:

No levy may be issued until after 45 days have passed since the communication of rejection of the request for installment agreement to the taxpayer. (See exceptions in IRM 5.14.1.5(2)(a) through (c).)

14. In the event a proposed installment agreement is rejected and it is determined that the taxpayer made a good faith revision of the proposal and submitted the revision within 30 days of the date of the rejection, the installment agreement must be considered anew. If the revised submission is not in good faith, the appeal period continues to run from the date of the original rejection.
15. Independent reviewers will notify referring contact employees or functions through appropriate channels of the outcomes of reviews, so appropriate TC 971s may be input. (See Exhibit 5.14.1-1.)
 - A. Input TC 972 AC 043 thirty days after installment agreement rejections are relayed to taxpayers if they are not appealed.
 - B. If taxpayers appeal rejection decisions, do not input TC 972 AC 043, unless Appeals sustains rejections.
16. Review of SB/SE field cases will take place in Technical Services.
17. SB/SE Collection Field function administrative reviewers will also complete independent reviews on balance due periods not included in CDP appeals (when other balance due periods for the same entity are being appealed under CDP).

Note:

If the independent reviewer agrees that rejection is appropriate for the proposed installment agreement (for the periods not included under CDP), then inform the Appeals or Settlement Officer handling the CDP of the independent reviewer's decision after communicating rejection to the taxpayer. The taxpayer should be advised the independent reviewer's decision will be shared with Appeals and that the taxpayer should communicate any disagreement with this decision to the Settlement Officer handling the CDP as well reminding the taxpayer of their CAP rights.

18. If taxpayers propose installment agreements as a collection alternative after requesting a Collection Due Process hearing (CDP) and rejection is planned, then the field employee will forward the CDP periods to Appeals under Collection Due Process (See IRM 5.1.9.3). The independent review for CDP periods is accomplished by approval and signing of Form 5402 (Appeals Case Memorandum cover sheet) by the Appeals Team Manager. This is also true if installment agreements are requested while cases are assigned to Appeals for other reasons. If there are periods in the installment agreement request that are not included in the CDP request, these periods will be sent for independent review by Technical Services in accordance with the procedures provided in IRM 5.14.9.7(14).

Note:

If the independent reviewer agrees that rejection is appropriate for the proposed installment agreement (for the periods not included in the CDP request), inform Appeals, or the settlement officer handling the CDP, of the independent reviewer's decision before conveying rejection to the taxpayer.

19. The only instances in which taxpayers are not afforded independent administrative review or given appeal rights after requesting an installment agreement are:
 - A. taxpayers withdraw the request for an installment agreement (see IRM 5.14.4.5);
 - B. taxpayers fully pay the liability; or
 - C. installment agreement requests are made merely to delay collection (see IRM 5.14.3.2).

**5.14.9.8 (08-05-2010)
Collection Appeals Program**

1. Along with a rejection of an installment agreement request, taxpayers must be immediately notified of their appeal rights. Taxpayers whose requests are rejected, as well as those whose agreements are in default or have been terminated, will follow the procedures in IRM 5.1.9.4.1 "Request for CAP Appeal". Taxpayers may appeal rejections, proposed terminations, and terminations within 30 days. The timeframe to request these types of appeals cannot be extended.

Note:

See IRM 5.14.9.7(16) regarding independent reviews on appeals cases and IRM 5.14.9.7(17) regarding situations that do not require independent review nor appeals.

2. Allow at least fifteen additional days after the thirty day period in case taxpayers mail requests for hearing regarding rejections, defaults, proposed terminations or terminations on the thirtieth day after any of these actions. However, if the taxpayer confirms that no hearing has been requested, there is no need to wait the additional fifteen days.

Note:

See IRM 5.11.1.2.2.2(4), (second example) regarding mailing Letter 1058 during this time period.

3. If taxpayers' appeals are rejected, taxpayers must be informed of this. Other collection action may then be taken, provided 30 days have passed since the date of rejection or termination.

Note:

See IRM 8.24.1 — Appeals Division Manual for Collection Appeals Program, and IRM 5.1.9 — for general information regarding the Collection Appeals Program.

4. Input, or request input of, appropriate TC 971 reversals if Appeals rejects (i.e., does not sustain) the taxpayer's appeals.
 - For rejected requests of installment agreements use TC 972 AC 043.
 - For appeals of defaulted (proposed terminations) of installment agreements, or appeals of terminated installment agreements, use TC 971 AC 163.

(See Exhibit 5.14.1-1)

**5.14.9.9 (08-05-2010)
Referrals to the Taxpayer Advocate Service (TAS)**

1. Refer taxpayers to the Taxpayer Advocate Service (TAS) (see IRM Part 13, Taxpayer Advocate Service) when contact meets TAS criteria (see IRM 13.1.7, TAS Case Criteria) and you can't resolve the taxpayer's issues the same day. The definition of "same day" is within 24 hours. "Same day" cases include cases you can completely resolve in 24 hours, as well as cases in which you have taken steps within 24 hours to begin resolving the taxpayer's issue. Do not refer same day cases to TAS unless the taxpayer asks to be transferred to TAS and the case meets TAS criteria. Refer to IRM 13.1.7.4, Same-Day Resolution by Operations. When you refer cases to TAS, use Form 911, Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order), and forward to TAS.

**5.14.9.10 (03-11-2011)
Installment Agreement User Fees: Authority; General Information; and Cross Reference to IRM 5.19.1.5.5.5**

1. 31 United States Code (U.S.C) 9701 – as implemented by Office of Management and Budget Circular A-25, section 6 – provides authority for the imposition of user fees. User fees are imposed for services pertaining to the entering into and monitoring of an installment agreement and the restructuring or reinstating of an installment agreement. See 26 C. F. R. Part 300.

2. The purpose of installment agreement user fees is to recoup the cost of administering the installment agreement program.
3. For agreements monitored in status 60, Masterfile generates:
 - user fees and
 - "user fee modules."
4. User fee modules must be established on manually monitored installment agreements when they are received in Centralized Case Processing.
5. For those ATAT agreements that are monitored in groups, request establishment of user fee modules from Centralized Case Processing.
6. Taxpayers may be eligible for a reduced user fee if their adjusted gross income is below 250% of federal poverty guidelines. The user fee for low income taxpayers who have been granted the reduced fee is \$43. See Form 13844.
7. See IRM 5.19.1.5.5.5 for further information on user fee modules.

[More Internal Revenue Manual](#)



Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 10. Payroll Deduction Agreements and Direct Debit Installment Agreements

5.14.10 Payroll Deduction Agreements and Direct Debit Installment Agreements

- 5.14.10.1 [Overview](#)
- 5.14.10.2 [Payroll Deduction Agreements](#)
- 5.14.10.3 [Preparation and Distribution of Form 2159, Payroll Deduction Agreement](#)
- 5.14.10.4 [Direct Debit Installment Agreements](#)
- 5.14.10.5 [Direct Debit Installment Agreements for IBTF Cases](#)
- 5.14.10.6 [Credit \(and Debit\) Card Payments by Taxpayers](#)
- 5.14.10.7 [Electronic Funds Transfers by Taxpayer](#)
- 5.14.10.8 [Direct Pay](#)

Manual Transmittal

January 22, 2015

Purpose

(1) This transmits a revision for IRM 5.14.10, Installment Agreements, Payroll Deduction Agreements and Direct Debit Installment Agreements

Material Changes

- (1) IRM 5.14.10.2 update information regarding third party contacts
- (2) IRM 5.14.10.2 include language requiring either the payroll deduction or direct debit method of payment is Streamlined agreements with UBA between \$25,001 and \$50,000.
- (3) IRM 5.14.10.4 include language regarding the DDIA requirement for IBTF Express agreements with UBA between \$10,001 and \$25,000.
- (4) IRM 5.14.10.4 update the user fee for a regular agreement
- (5) IRM 5.14.10.4 include language requiring either the payroll deduction or direct debit method of payment for Streamlined agreements with UBA between \$25,001 and \$50,000.
- (6) IRM 5.14.10.4 include instructions for mirroring joint liabilities where only one taxpayer requests an installment agreement.
- (7) IRM 5.14.10.4 added the requirement for the GM to physically sign the Form 433-D when the DDIA requires GM approval.
- (8) IRM 5.14.10.4 updated address information and procedures when a taxpayer's bank account is erroneously debited.
- (9) IRM 5.14.10.5 revised procedures for completing Direct Debit installment agreements for In-business trust fund taxpayers.
- (10) IRM 5.14.10.8 added Direct Pay as a method of making installment agreement payments.

Effect on Other Documents

This material supersedes IRM 5.14.10, dated March 11, 2011.

Audience

SB/SE Collection Employees

Effective Date

(01-22-2015)

Dretha Barham
Director, Collection Policy

5.14.10.1 (08-09-2010)

Overview

1. *This chapter provides procedures for processing Payroll Deduction agreements and Direct Debit installment agreements. Payroll deduction agreements are agreements where employers deduct payments from taxpayer's wages, and mail them to the Internal Revenue Service. Direct Debit Installment Agreements allow the Service to debit taxpayers' bank accounts. Payroll Deduction agreements and Direct Debit installment agreements benefit the taxpayer by reducing the likelihood of default and lessening taxpayer burden.*

5.14.10.2 (01-22-2015)

Payroll Deduction Agreements

1. The use of Form 2159, Payroll Deduction Agreement, must be strongly encouraged when the taxpayer is a wage earner, particularly if the taxpayer defaulted on a previous installment agreement.
2. Streamlined installment agreements with aggregate unpaid balance of assessments (UBA) between \$25,001 and \$50,000 require either a payroll deduction agreement or direct debit as the method of payment.
3. Taxpayers should determine whether their employers will accept and process executed agreements before agreements are submitted for approval or finalized.

4. Comptroller General decision B-45105 (signed in 1955) requires Federal Agencies to deduct and pay over the amount shown on payroll deduction agreements.
5. Allow a reasonable period for the employer to complete the necessary bookkeeping and submit the first payment.
6. Encourage taxpayers to hand deliver agreements to employers; otherwise mail agreements to employers. Ensure that the third party contact requirements of IRC 7602(c) have been observed before mailing agreements to employers. See IRM 5.1.1.10.1, *Field Collecting Procedures* for instructions regarding the provision of advance notice to the taxpayer of third party contact.
7. The employer and the taxpayer must sign Form 2159 before submission to the manager for approval.
8. Ensure TC 971 AC 043 is input on all modules within 24 hours of the taxpayer's request for a payroll deduction agreement.
9. If employers must be contacted during payroll deduction agreements, ensure Letter 3164 A, (Third Party Contact letter) was sent previously. ICS systemically generates Third Party Contact (TPC) data and updates the TPC Command Code database if the revenue officer utilizes the Taxpayer or Asset Location Activity menu within the History section of ICS. If this ICS feature is not used, complete Form 12175 and properly route to the Third Party Contact coordinator. (See IRM 25.27.1.4, *Third Party Contacts*.)
10. To insure proper remittance and posting, instruct employers, or request taxpayers advise their employers, to show taxpayers' names and TINs, tax form(s) and period(s) on all remittances.
11. Determine the correct agreement locator number (ALN) , per Exhibit 5.14.1-2 for Payroll Deduction Agreements. Generation of the Form 2159 from the ICS Templates menu will automatically default the "XX" position of the ALN to "11" while allowing the initiator to select the appropriate indicator for the "YY" position of the ALN. For most circumstances, the ALN will be 1109.

5.14.10.3 (03-11-2011)

Preparation and Distribution of Form 2159, Payroll Deduction Agreement

1. Provide the following to the taxpayer to be delivered to the employer:
 - A. Form 2159;
 - B. a business reply envelope addressed to the revenue officer to return the signed Form 2159; and
 - C. a business reply envelope addressed accordingly to be used to mail the first payment. The correct address for this envelope can be found at http://serp.enterprise.irs.gov/databases/who-where.dr/balance_due_accounts.htm, Service Center Collection Addresses for Form 2159.

Note:

Notate the purpose on each envelope, so that Form 2159 is returned to the appropriate address.

These may be mailed directly to employers if taxpayers received Letter 3164 A or it was sent at least ten days prior to mailing the Form 2159. (See IRM 5.14.10.2(6)). (Also, see IRM 5.14.10.3(7) for cases involving members of the Armed Forces overseas.) .)

2. Request taxpayers immediately notify their employers of payroll deduction requests and the purpose of the two envelopes.
3. Submit the case for approval after the taxpayer and employer have executed the Form 2159. (See IRM 5.14.9.2. *Routine and Manually Monitored Installment Agreement Dispositions*)
4. After Form 2159 is approved, return the Employer's Copy to the taxpayer to give or mail to their employer, unless the taxpayer received Letter 3164 A or at least ten days have passed since it was mailed to the taxpayer, in which case the Employer's copy of Form 2159 may be mailed directly to the employer. (See IRM 5.14.10.2(6).)
5. Provide the taxpayer with the Taxpayer's Copy of the form.
6. Attach the approved Acknowledgment Copy to the balance due file. Close the case on ICS by selecting "Option B" from the Installment Agreement menu. Select "Payroll Deduction" as the IA type. Use the systemically generated Form 3210 to route the case to CCP for input. A systemic history is written to ICS.
7. If a payroll deduction agreement is made with a member of the Armed Forces overseas, forward the complete assembly to the taxpayer to give to his or her Commanding Officer or mail it directly to the Commanding Officer if Letter 3164 A was mailed at least 10 days earlier. (See IRM 5.14.10.2(6).) In these cases, the Taxpayer's Copy of the assembly will be furnished to the taxpayer by the military establishment. . Upon receipt of the approved Acknowledgment Copy, attach to the balance due file and process the case appropriately (See IRM 5.14.10.3(6)).

5.14.10.4 (01-22-2015)

Direct Debit Installment Agreements

1. Direct debit installment agreements (DDIA) should be strongly encouraged when a payroll deduction agreement is not practical or appropriate, and especially encouraged if taxpayers defaulted on previous installment agreement(s).
2. In cases involving joint liabilities where the taxpayers are separated or divorced, and only one party wishes to enter into an installment agreement, the account must be mirrored. See IRM 5.19.1.5.4.12.1 (Liability Collection). CSCO (Compliance Services Collection Operations) will not input DDIA's involving joint liabilities unless both taxpayer's signatures appear on the Form 433-D, Installment Agreement.
3. The direct debit method of payment is required on all IBTF Express agreements with UBA (unpaid balance of assessment) between \$10,001 and \$25,000.
4. Streamlined installment agreements with aggregate unpaid balance of assessments (UBA) between \$25,001 and \$50,000 require either a payroll deduction agreement or direct debit as the method of payment.
5. The Direct Debit Installment Agreement (DDIA) system is a means by which funds are automatically debited from a taxpayer's checking account for the agreed upon installment amount. Some benefits of using direct debit installment agreements are:
 - A. The user fee is lower for a DDIA (\$52) than it is for a regular agreement (\$120);
 - B. less chance of taxpayers forgetting to make their payment;
 - C. less chance of a missed payment because the money was spent on other expenses;
 - D. since no check is involved, there is no chance of it being lost, mishandled, misapplied, or returned as incomplete or unsigned;
 - E. IRS personnel will not have to manually post checks;
 - F. "float" time associated with processing paper documents is eliminated; and
 - G. the installment agreement default rate is reduced.
6. The Electronic Federal Tax Payment System (EFTPS) is used to process the DDIA by electronic funds transfer. See Publication 966, website <http://www.eftps.gov> or call 1-800-555-4477.

7. Take the following steps for proper completion of a DDIA:

- A. Use "Option A" within the Installment Agreement menu on ICS, select the correct IA type: Direct Debit IA , Direct Debit Streamlined IA, IBTF/Direct Debit Combination or IBTF Express/Direct Debit Combination, ICS will generate the Form 433-D and Letter 2849 .
- B. On the Form 433-D, document the account number and bank routing number **OR** attach a copy of a cancelled check. The account and routing number are required fields when completing the Form 433-D, via "Option A" within the ICS application. A systemic ICS history will record the bank account information.
- C. Establish the first payment date on the Form 433-D for 60-days from the date the IA is established. The expectation is the DDIA should be input into Status 60 within 30-45 days.
- D. Advise the taxpayer the first payment will **not** be withdrawn from their bank account for approximately 60-days.
- E. On ICS, the Agreement Locator Number (ALN) will default to an "03" for the "XX" value and the highest priority value will be assigned for the "YY" value. (See Exhibit 5.14.1-2, *Installment Agreement Locator Numbers*).
- F. The taxpayer **must** sign the Form 433-D when this type of agreement is secured.
- G. If the agreement requires managerial approval, the group manager must physically sign the form 433-D.

8. After securing the taxpayer's and group manager's (if applicable) signatures on the Form 433-D , take the following steps for correct routing and processing the DDIA:

- A. E-mail. This is the preferred method of submission. Scan the Form 433-D that contains the taxpayer(s) and Group Manager's (if applicable) physical signatures with the bank account and routing numbers. Attach the scanned 433-D to the Outlook message and send via secure E-mail to the CSCO mailbox at *SBSE PSC CSCO DDIA. To expedite the processing, the subject line should state "DDIA Input" and include the last four digits of the taxpayer's SSN or EIN and the Name Control.
- B. E-Fax. A DDIA can also be E-Faxed to the Philadelphia CSCO Campus. E-Fax the Form 433-D containing the taxpayer(s) and Group Manager (if applicable) physical signatures and bank account and routing numbers. The completed Form 433-D can be E-Faxed to 1-855-235-6786
- C. Mail. Forward the completed Form 433-D with the bank account information or copy of a cancelled check on the ICS generated Form 3210 for input. ALL field DDIA's are input at the Philadelphia CSCO campus. The address on the systemically generated Form 3210 is :

Internal Revenue Submission Processing Center
Mail Stop 4-N31.142
2970 Market Street
Philadelphia, PA 19104

- D. Send the closed Bal Due case file on a manually created Form 3210 to Mail Stop 5-E04.115 or on a Form 795B.
- E. Mail Letter 2849, *DDIA Acceptance Letter* to the taxpayer and representative, if applicable.

..

- 9. Occasionally, the IRS may erroneously debit a taxpayer's bank account. Erroneous debits include IRS initiated duplicate debit entries, debit entries in an amount greater than authorized under the DDIA, and debit entries initiated for settlement earlier than authorized by the taxpayer under the DDIA.
- 10. Once an erroneous debit has been identified, and the IRS has confirmed that the taxpayer is not seeking indemnification from his bank, the IRS should immediately take steps to return the erroneously debited funds using manual refund procedures. See IRM 5.1.12.20.1, *Manual Refund Procedures*. Note: In order to initiate the return of the erroneous debit, all that needs to be established is that the debit entry is erroneous, and that the taxpayer is not also seeking compensation from his or her bank. The taxpayer need not establish hardship or any other criteria. If, however, the taxpayer instructs the IRS to apply the erroneous debit entry to the tax liability, the IRS may follow the taxpayer's instructions.
- 11. Under the Small Claims Act, the IRS may reimburse taxpayers for bank fees incurred due to Service error in implementing a DDIA if the fees were incurred solely because of the Service's error and the taxpayer did not compound the problem. The claim must be filed within one year after the fee is imposed by the bank. Follow the procedures for filing a claim for bank charges due to Service loss or misplacement of a taxpayer check found at IRM 3.17.10.5, *Accounting and Data Control*.

**5.14.10.5 (03-11-2011)
Direct Debit Installment Agreements for IBTF Cases**

- 1. Take the following steps for completion of a DDIA for an IBTF Express or CCP/IBTF-IA:
 - A. Use "Option A" within the Installment Agreement menu on ICS, select the appropriate IA type: "- IBTF Express/Direct Debit Combination" , or ; "- IBTF/Direct Debit Combination"
 - B. Follow the steps outlined above in IRM 5.14.10.4(7)(a-g)..
 - C. On ICS, the Agreement Locator Number (ALN) will default to an "03" for the "XX" value and the highest priority value will be assigned for the "YY" value. Generally, the ALN will default to 0315.(See Exhibit 5.14.1-2, *Installment Agreement Locator Numbers*)
 - D. Ensure the taxpayer signs the Form 433-D.
- 2. These cases are input into Status 60 on IDRS. Only the IBTF-IA is monitored in CCP via an OI systemically created when the IA is approved. For the IBTF-DDIA combinations, information must be sent to both CCP and the Philadelphia CSCO Campus. CCP needs to receive the case file for monitoring and the Philadelphia Campus needs to receive the DDIA information to establish the DDIA processing.
- 3. The IBTF Express IA is NOT monitored at CCP. Thus, no NF OI is created.
- 4. Forward the case file to the Group Manager for review, approval and signature. Once the Group Manager approves the IA, take the following steps for correct routing and processing of the IBTF-DDIA:
 - A. Forward the IBTF-IA case file to CCP for monitoring on the systemically generated Form 3210 at Mail Stop 5-E04.117.
 - B. Forward the IBTF Express IA case file to closed files on the systemically generated Form 3210 at Mail Stop 5-E04.115.

- C. E-mail. This is the preferred method of submission. Scan the Form 433-D that contains the taxpayer(s) and Group Manager's physical signatures with the bank account and routing numbers. Attach the scanned 433-D to the Outlook message and send via secure E-mail to the CSCO mailbox at *SBSE PSC CSCO DDIA. To expedite the processing, the subject line should state "DDIA Input" and include the last four digits of the taxpayer's SSN or EIN and the Name Control.
- D. E-Fax. A DDIA can also be E-Faxed to the Philadelphia CSCO Campus. E-Fax the Form 433-D containing the taxpayer(s) and Group Manager physical signature and bank account and routing numbers. The completed Form 433-D can be E-Faxed to 1-855-235-6786
- E. Mail. Forward the completed Form 433-D with the bank account information or copy of a cancelled check on the ICS generated Form 3210 for input. ALL field DDIA's are input at the Philadelphia CSCO campus. The address on the systemically generated Form 3210 is :

Internal Revenue Submission Processing Center

Mail Stop 4-N31.142

2970 Market Street

Philadelphia, PA 19104

- F. Mail Letter 2849 to the taxpayer and representative, if applicable.

5.14.10.6 (03-11-2011)

Credit (and Debit) Card Payments by Taxpayers

1. Taxpayers may make payments, including installment agreement payments, with a credit or debit card. See IRM 21.2.1.48, Electronic Payment Options for Individuals and Business e-file Users, for more information.

5.14.10.7 (03-11-2011)

Electronic Funds Transfers by Taxpayer

1. Taxpayers may make payments, including installment agreement payments, by making Electronic Funds Transfers (EFT) using the Electronic Federal Tax Payment System (EFTPS). See Publication 966 *Electronic Federal Tax Payment System*, website <http://www.eftps.gov> or call 1-800-555-4477 for more information.

5.14.10.8 (01-22-2015)

Direct Pay

1. IRS Direct Pay is a new payment application available to IMF Taxpayers to make secure, electronic payments, including installment agreement payments from their checking or savings accounts. The Direct Pay option is located under the "Payments" tab at <http://www.irs.gov>.

[More Internal Revenue Manual](#)



Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 11. Defaulted Installment Agreements, Terminated Agreements and Appeals of: Proposed Terminations (Defaults), and Terminated Installment Agreements

5.14.11 Defaulted Installment Agreements, Terminated Agreements and Appeals of: Proposed Terminations (Defaults), and Terminated Installment Agreements

- 5.14.11.1 [Overview](#)
- 5.14.11.2 [Reason for Termination of Installment Agreements Without Notice to Taxpayers](#)
- 5.14.11.3 [Reasons for Proposing Termination \(Defaulting\) of Installment Agreements](#)
- 5.14.11.4 [Defaults and Terminations: IDRS Monitored Agreements](#)
- 5.14.11.5 [Considerations after Default or Termination, Including Reinstatement](#)
- 5.14.11.6 [Lien Determinations: Defaulted/Terminated Installment Agreements](#)
- 5.14.11.7 [Appeals of Defaulted and Terminated Agreements](#)

Manual Transmittal

December 11, 2014

Purpose

(1) This transmits a topic based revision to IRM 5.14.11, Installment Agreements, Defaulted Installment Agreements, Terminated Agreements and Appeals of: Proposed Terminations (Defaults), and Terminated Installment Agreements to incorporate procedural changes based on ACA provision 1501: Requirement to Maintain Minimum Essential Coverage (Individual Shared Responsibility) (IRC §5000A).

Material Changes

(1) This IRM has only been updated for the Affordable Care Act (ACA) Provision 1501: Requirement to Maintain Minimum Essential Coverage (Individual Shared Responsibility) (IRC § 5000A). Editorial changes were made throughout this IRM to update website addresses, legal references, and IRM references.

(2) IRM 5.14.11.3(1)(b), Reasons for Proposing Termination (Defaulting) of Installment Agreements. Note to advise that an individual shared responsibility payment under the Affordable Care Act does not default an existing installment agreement.

(3) IRM 5.14.11.4(2), Defaults and Terminations: IDRS Monitored Agreements. Corrected the wording of the CP 523 to read Installment Agreement Default Notice.

(4) IRM 5.14.11.4(5)(b), Defaults and Terminations: IDRS Monitored Agreements. Note to advise no levies may be issued on an ACA individual shared responsibility payment liability.

(5) IRM 5.14.11.5(7), Considerations after Default or Termination, Including Reinstatement. Note advising that a new form 433-D is only required when a taxpayer wishes to add a liability to an existing direct debit installment agreement and the payment amount increases.

(6) IRM 5.14.11.5(10), Considerations after Default or Termination, Including Reinstatement. Added to direction to advise any outstanding balance due shared responsibility payment must be included in a revised installment agreement.

(7) IRM 5.14.11.6(1), Lien Determinations: Defaulted/Terminated Installment Agreements. Note to advise a Notice of Federal Tax Lien may not be filed on an ACA individual shared responsibility payment liability.

(8) IRM 5.14.11.6(2), Lien Determinations: Defaulted/Terminations, Installment Agreements. Clarified guidance on lien determinations on pre-assessed tax liabilities.

(9) IRM 5.14.11.6(4)(a), Lien Determinations: Defaulted/Terminated Installment Agreements: Removed direction for the revenue officer to retain case documentation in order to process a Collection Due Process appeal after the case has been closed.

Effect on Other Documents

This material supersedes IRM 5.14.11, dated March 11, 2011.

Audience

SB/SE Compliance Employees

Effective Date

(01-01-2015)

Dretha Barham
Director, Collection Policy

5.14.11.1 (08-09-2010) Overview

1. When taxpayers provide inaccurate information or do not meet the terms of their agreements, the agreements may be terminated. Taxpayers may appeal proposed terminations. This chapter provides procedures for default and termination of agreements for both IDRS and manually monitored agreements.

5.14.11.2 (09-26-2008) Reason for Termination of Installment Agreements Without Notice to Taxpayers

1. The Internal Revenue Service may terminate installment agreements without advance notice if the Secretary (or his duly authorized representative, e.g. revenue officer or other contact employee) believes that collection of the tax covered by the installment agreement is in jeopardy.

Caution:

See IRM 5.14.1.5 *Installment Agreements, Securing Installment Agreements* regarding levy restrictions. Collection is considered to be in jeopardy (see IRM 5.14.1.5(2)) if one of the conditions allowing a jeopardy assessment exists. See Policy Statement P-4-88, found at IRM 1.2.13.1.27 *Service-wide Policies and Authorities, Policy Statements for the Examining Process* for the list of conditions under which a jeopardy assessment will be made, and IRM 5.11.1.3.9 *Notice of Levy, Background, Pre-Levy Actions, Restrictions on Levy & Post Levy Actions* regarding Notices of Levy.

5.14.11.3 (01-01-2015)

Reasons for Proposing Termination (Defaulting) of Installment Agreements

1. The Internal Revenue Service may propose termination of (place in default) installment agreements if taxpayers:

- A. fail to pay an installment payment when due under the terms of an agreement;
- B. fail to pay another tax liability at the time such liability is due;

Note:

This includes related TINs for the same taxpayer. Examples would be a sole proprietor and an IMF or a partnership and an IMF.

Note:

Affordable Care Act individual shared responsibility payment liabilities do not default an existing installment agreement.

- C. fail to provide an updated financial statement upon request;
 - D. provided information prior to the date such agreement was entered into that was inaccurate or incomplete; or,
 - E. fail to pay a modified payment amount based upon updated financial information. (See IRM 5.14.4.1.1 *Installment Agreements Financial Reviews, Below Deferral Level Accounts, Joint and Several Liability Relief Under Section 6015, Withdrawals and Multiple Entities*)
2. Use the following procedures (if applicable) for defaulting agreements for each of the above reasons.
 - A. For IRM 5.14.11.3(1)(a) (fails to pay an installment payment when due under the terms of the agreement), non-receipt of the installment payment is grounds for proposing default. These defaults may be completed either systemically or manually (See IRM 5.14.11.4 and IRM 5.14.11.5). Defaults may be initiated by field, Centralized Case Processing (CCP), ACS or Campus personnel.
 - B. For IRM 5.14.11.3(1)(b) (fails to pay another tax liability at the time such liability is due), non-receipt of a payment is grounds for proposing default. These defaults may be completed either systemically or manually (See IRM 5.14.11.4 and IRM 5.14.11.5). Defaults may be initiated by field, Centralized Case Processing, ACS or Campus personnel.
 - C. For IRM 5.14.11.3(1)(c) (fails to provide an updated financial statement upon request), non-receipt of requested information is grounds for proposing default. These defaults may be completed manually or systemically. Defaults may be initiated by field, Centralized Case Processing, ACS or Campus personnel.
 - D. For IRM 5.14.11.3(1)(d) (provides information prior to the date such agreement was entered into that was inaccurate or incomplete), document case histories regarding the circumstances of the case. These defaults may be completed manually by field, Centralized Case Processing, ACS or Campus personnel.
 - E. For IRM 5.14.11.3(1)(e) (fails to pay a modified payment amount based upon updated financial information), non-receipt of a payment is grounds for proposing default. These defaults may be completed manually only. Defaults may be initiated by field, Centralized Case Processing, ACS or Campus personnel.
 3. Installment agreements may not be defaulted nor terminated for reasons other than those listed in this section.

Note:

IDRS allows coexistence of delinquent return status and status 60 (i.e., an entity can have an open Del Ret on one module and status 60 on other modules). The Del Ret does not cause default of the status 60 balance due accounts.

5.14.11.4 (01-01-2015)

Defaults and Terminations: IDRS Monitored Agreements

1. When a taxpayer does not meet the terms of an installment agreement, she or he will be notified in writing and given 30 days to comply with the terms of the agreement before the agreement is terminated.
2. A taxpayer with an IDRS monitored installment agreement will receive Notice CP 523, *Installment Agreement Default Notice — Notice of Intent to Levy*. The notice or letter is sent by certified mail for taxpayers with domestic addresses, or by registered mail if taxpayers have foreign addresses.

Note:

For taxpayers filing jointly, the notice or letter will be sent to both spouses separately, even if the spouse live at the same address.

3. Defaulted Installment Agreement notices must be provided for all defaulted agreements (except in jeopardy situations) including those proposed terminations because the taxpayer provided inaccurate or incomplete information prior to entering into the agreement. See IRM 5.14.1.5(2) *Installment Agreements, Securing Installment Agreements* for cases involving jeopardy situations.
4. An account on which the taxpayer has received Notice CP 523 or Letter 2975 (DO) is commonly referred to as a "defaulted agreement", but the agreement will not be *terminated* until the expiration of the 30 day period beginning on the date the notice is issued.
5. No levies may be issued on tax periods included in agreements for 90 days after mailing Notice CP 523 or Letter 2975 (DO). (See IRM 5.14.1.5 – *Installment Agreements, Securing Installment Agreements, Levy Restrictions and Installment Agreements*.) Note that this 90 day period includes the following timeframes:
 - A. thirty (30) days after a Notice CP 523 is mailed, proposing termination of an agreement. For IDRS monitored agreements, the Notice 523 is mailed when the account status changes from 60 to 64.

Note:

Allow an additional 15 days beyond this timeframe for taxpayers to mail appeals of defaulted agreements.

- B. For an additional 30 days after the date of the termination of the agreement.

Note:

Although the termination date of record for the agreement is 30 days from the date of the Notice CP 523, allow an additional 15 days beyond this second 30 day period for taxpayers to mail appeals of terminated agreements.)

Note:

No levies may be issued on individual shared responsibility payment liabilities under the Affordable Care Act.

6. If there is no response from the taxpayer, the account status will change from status 64 to either status 22 or 26. This status change occurs thirteen (13) weeks (or cycles) after mailing Notice CP 523. The 13 cycle period allows for 90 days between the date of the notice and the change to balance due status.
7. TC 971 AC 063 remains on tax modules for taxpayers in installment agreement status until 90 days have passed since the mailing of Notice CP 523. The TC 971 AC 063 may not be reversed during this period of time. See IRM 5.14.1.5 *Installment Agreements, Securing Installment Agreements, Levy Restrictions and Installment Agreements*.

Note:

If the installment agreement included a backup Form 53, "Report of Currently Not Collectible Taxes", when the installment agreement defaults the 530 code is input, the taxpayer receives Notice CP 523 and the TC 971 AC 163 automatically uploads.

8. If installment agreements are not reinstated after they default and the agreements are terminated, then, at the end of 13 cycles, Masterfile generates TC 971 AC 163 to reverse TC 971 AC 063 at the end of 13 cycles. This process is triggered by the status change from 6X to any Master file status other than Status. 26. This means for defaulted IBTF-Express I/As and defaulted DDIA IBTF-Express I/As, request the input of TC971 AC163 through ICS. CCP will request the input of TC971 AC163 on IBTF-I/As and SMO/LLC IBTF-I/As prior to sending the case back to the field after default.
9. The systemic upload of TC 971 AC 163 also provides for:
 - A. change in failure to pay penalty rate, if previously reduced, to one-half (0.5) percent;
 - B. removal of the installment agreement indicator; and
 - C. allow systemic levies.

Use TC 972 AC 063 only when TC 971 AC 063 was input in error.

Note:

Before 01-01-2000, TC 971 AC 163s were not generated by status changes.

10. Notice CP 523 directs taxpayers to reply to a Campus contact that is based on the location of the taxpayer.

5.14.11.5 (01-01-2015)

Considerations after Default or Termination, Including Reinstatement

1. If a Revenue Officer is contacted in response to a defaulted or terminated installment agreement notice, appropriate action should be taken based on the circumstances of the case. Before reinstating a defaulted or terminated agreement, consider:
 - A. the taxpayer's reason for default or termination.
 - B. the taxpayer's ability to pay (see IRM 5.14.9.2 *Installment Agreements, Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals* for managerial approval requirements on defaulted or revised installment agreements);
 - C. the statute expiration date (see IRM 5.14.2 *Installment Agreements, Partial Payment Installment Agreements and the Collection Statute Expiration Date*);
 - D. updating levy sources, address, and telephone numbers;
 - E. a payroll deduction agreement or Direct Debit Installment Agreement;
 - F. the necessity of filing or refiling a Notice of Federal Tax Lien (NFTL) (See IRM 5.14.11.6 *Installment Agreements, Defaulted Installment Agreements, Terminated Agreements and Appeals of Proposed Terminations (Defaults), and Terminated Installment Agreements*. and IRM 5.14.1.4.2 *Installment Agreements, Securing Installment Agreements*);
 - G. if the taxpayer is in compliance with estimated tax requirements and/or has adequate withholding;
 - H. if the taxpayer is in compliance with federal tax deposits; and,
 - I. if the taxpayer is in compliance with filing of all required returns due.
2. Defaulted or terminated agreements may be reinstated with no managerial approval, and no financial statement analysis only if:
 - A. The agreement is in default or was terminated because of an additional liability and if addition of that new liability will result in no more than two additional monthly payments and the agreement will not extend beyond the Collection Statute Expiration Date (CSED). A lien determination is required for these agreements.
 - B. The agreement meets streamlined criteria and the taxpayer has not defaulted an installment agreement in the 12 months prior to the current default. (See IRM 5.14.5.2 *Installment Agreements, Streamlined, Guaranteed and In-Business Trust Fund Express Installment Agreements* regarding Streamlined criteria.)
3. In all other cases, except those listed in IRM 5.14.11.5(2), financial statement analysis is required to re-evaluate the taxpayer's ability to pay.

A. Note:

If agreements are in default (not yet terminated) they must be reinstated if taxpayers remedy the default (unless there is another reason for default). (See list of reasons for default/termination in IRM 5.14.11.3.)

4. If the agreement is in default or was terminated solely due to missed payments under the terms of the agreement, whether or not the taxpayer was given a systemic skipped payment before receiving the CP 523, subsequent skipped payments may be permitted in emergency situations. Managerial approval is required. Do not allow skipped payments if the agreement will not fully pay the taxes before the CSED.

Note:

CSED waivers may only be secured with new partial payment installment agreements. Waivers secured with existing installment agreements, including with reinstatements of existing agreements, will not be approved. (See IRM 5.14.2.2(4) and IRM 5.14.9.2(7)).

5. If a taxpayer skips more than two payments in a twelve-month period, including the systemic skip, the agreement will be defaulted by CSCO unless the taxpayer provides a new or revised financial statement. Taxpayers need not appear in person for re-evaluation of their financial condition. Re-evaluation may take place by telephone, by FAX, or by other correspondence.

6. If routine IDRS research shows that the taxpayer has moved out of the area, use the ICS transfer process to reassign the case to the appropriate location. If contact is made with taxpayers in these situations:

- A. attempt to secure the taxpayer's telephone number, any new income and asset information and the taxpayer's new address.
- B. If the taxpayer indicates that her/his financial condition is significantly different, note the file before transferring the case.
- C. Advise the taxpayer to contact the new office for financial review.
- D. If the installment agreement has less than twelve months remaining, it should not be transferred unless the taxpayer has requested transfer or the agreement is in default status.

7. In the event an agreement or other IDRS action is required, except as noted in IRM 5.14.11.5(9), prepare Form 4844, Request for Terminal Action. The reason for the revision and managerial approval, as required by IRM 5.14.9.2, will be noted in the Remarks Section of Form 4844. Attach new Forms 433-D or 2159 and CIS to the form, if appropriate.

Note:

If the agreement is a DDIA, a new Form 433-D, *Installment Agreement* signed by the taxpayer and the group manager (if applicable) must be secured and submitted to Compliance Service Collection Operations (CSCO) if the taxpayer changes banks, the taxpayer changes the bank routing number or if the taxpayer changes the bank account number.

Note:

If the agreement is a DDIA, a new Form 433-D, signed by the taxpayer and the group manager (if applicable) must be secured and submitted to CSCO if the amount of the monthly payment is increasing from the previous monthly DDIA amount.

- 8. If the taxpayer contacts the area office and the interview determines that the account is currently not collectible, prepare Form 53 and file a Notice of Federal Tax lien, if appropriate (see IRM 5.12.2 *Federal Tax Liens, Notice of Lien Determinations* for Lien Filing Requirements.) Secure necessary approval of Form 53 and forward the entire assembly, including a copy of the lien, to CSCO. Explain the required CSCO action in the Remarks Section of Form 4844.
- 9. Correspondence responses received in the area office and requiring CSCO action on the installment agreement will be transmitted to CSCO.
- 10. Revised installment agreements must include any outstanding balance due shared responsibility payment accounts.

5.14.11.6 (01-01-2015)

Lien Determinations: Defaulted/Terminated Installment Agreements

1. Notice of Federal Tax Lien Filing on Periods Covered By Agreement:

Note:

A Notice of Federal Tax Lien will not be filed on any individual shared responsibility payment liabilities under the Affordable Care Act.

A. If, upon approval of an installment agreement the taxpayer is notified that a Notice of Federal Tax Lien has already been filed by seeing that the Service checked the box on Forms 433-D or 2159 *Payroll Deduction Agreement* or it is indicated in the case history; will be filed immediately, or will be filed when tax is assessed, then no action is necessary beyond ensuring that the Notice of Federal Tax Lien was filed in the proper jurisdiction.

Note:

If the taxpayer moved to a new jurisdiction, a Notice of Federal Tax Lien may be filed in the new jurisdiction immediately (see IRM 5.12.7.3(4) *Federal Tax Liens, Notice of Lien Preparation and Filing*, IRM 5.12.7.3(13), 5.12.7.10(1), and IRM 5.17.2.3.3(4) *Legal Reference Guide for Revenue Officers, Federal Tax Liens*.)

- B. If, upon approval of an installment agreement, the taxpayer was notified (either by checking a box on Form 433-D or Form 2159, or per the case history) that a Notice of Federal Tax Lien "may be filed if this agreement defaults", then a Notice of Federal Tax Lien may be filed immediately when the CP 523/Letter 2975 is mailed (or given to the taxpayer, or left at the taxpayer's last known address or place of business.)
- C. If no information regarding filing of the Notice of Federal Tax Lien was provided in the case history, nor on Form 433-D or Form 2159 (no box was checked) and it is determined the government's interest is at risk, a Notice of Federal Tax Lien may be filed when the CP 523/Letter 2975 is mailed, (given to the taxpayer, or left at the taxpayer's last known address or place of business. (See IRM 5.12.7.7 for other distinctive filing considerations.)
- D. If no information regarding filing of the Notice of Federal Tax Lien was provided in the case history, nor on Form 433-D or Form 2159 (no box was checked) and collection is in jeopardy, then the Notice of Federal Tax Lien may be filed. (See IRM 5.1.4 Jeopardy, Termination, Quick and Prompt Assessments.)
- E. If no information regarding filing of the Notice of Federal Tax Lien was provided in the case history, nor on Form 433-D or Form 2159 (no box was checked) and collection is not in jeopardy or the government's interest is not at risk, the Notice of Federal Tax Lien should not normally be filed for 90 days after the date CP 523/Letter 2975(DO) is issued.

2. Notice of Federal Tax Lien Filing on Pre-assessed Periods:

If a NFTL will be required on pre-assessed tax period(s), the request for filing must be manually submitted on Form 12636, *Request for Filing or Refiling Notice of Federal Tax Lien* to the Centralized Lien Unit (CLU) once the tax is assessed and ten days have passed. CCP will **NOT** hold or process any request for NFTL filing on a pre-assessed period submitted with an installment agreement.

3. Documentation:

When filing a Notice of Federal Tax Lien on taxpayers with defaulted or terminated installment agreements, document case histories regarding the lien determination.

4. Case Closure - If a Notice of Federal Tax Lien was filed on a period and the 45 days have not passed and the installment agreement is granted:

- A. if in the judgment of the revenue officer a CDP appeal is likely the case may be kept open until 45 days have passed.
- B. if it was determined the case should remain open and 30 days pass after filing Notice of Federal Tax Lien and the taxpayer or power of attorney verifies no request was made, close the case without waiting the additional 15 days.
- C. if the taxpayer does appeal the Notice of Federal Tax Lien, the revenue officer is responsible for processing the taxpayer's appeal in accordance with procedures in IRM 5.1.9 *Field Collecting Procedures, Collection Appeal Rights*.

5.14.11.7 (03-11-2011)

Appeals of Defaulted and Terminated Agreements

1. Taxpayers may request a Collection Appeals Program (CAP) hearing with Appeals for both:

- proposed terminations (also known as "defaults") of installment agreements and
- actual terminations of installment agreements.

The right to this type of appeal is provided in Notice CP 523 and Letter 2975(DO). Taxpayers who request an appeal will follow the instructions in IRM 5.1.9.4.2, "Request for a CAP Appeal." No levy action may be taken on the periods included in the agreement, during the time period when taxpayers may appeal defaulted and terminated agreements. See IRM 5.1.9.4 *Collection Appeal Rights* and IRM 5.14.9.8 on the "Collection Appeals Program."

2. The right to appeal a termination of an installment agreement is provided by law. Therefore, the taxpayer has 30 days from the date of proposed termination (default) of the installment agreement (Letter 2975(DO)/CP 523) to submit Form 9423, "Collection Appeal Request." Once the agreement is terminated, the taxpayer has an additional 30 days to submit Form 9423, "Collection Appeal Request." If a CAP hearing is requested prior to termination, the taxpayer may not appeal the decision again once the termination takes effect. Also, 15 days is allowed for mailing time.

3. Taxpayers need to be advised of the requirements and timeframes for requesting CAP hearings for defaults or terminations.

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