

The Advocate



Sterling Clay Couch, III, CPA's , PC & irshelp.com

Installment Agreements

The IRS wants taxpayers to pay what they owe as quickly as possible. This is why the IRS will often suggest resolving your debt by obtaining a loan from a bank or another financial institution. In most cases this saves taxpayers money considering the current IRS interest rate is 5% plus there is a failure to pay penalty of up to 1% each month. One must also consider that the 5% interest rate is based on rates



current as of May 2004 which could increase, so you could end up paying even more. For those individuals or businesses not able to resolve

their tax debt immediately there are other options such as an installment agreement.

In order to be eligible for an installment agreement, all returns that are due must first be filed. In addition to that the IRS usually requires that the taxpayer submit collection information statements know as a 433A or a 433B. These forms require you give all income, expense and asset information to the IRS. The amount of an installment agreement payment will be based on the amount owed and the ability to pay. The IRS may also require that you sign a waiver to extend the time the IRS can collect. Another condition of an installment agreement is that any refunds due from the IRS in future years would be applied against the amount due until the IRS liability is com-

pletely paid. The IRS will automatically apply your refunds to the oldest tax period on which you owe. The IRS also generally files a federal tax lien. This can be released when the debt is paid in full.

In addition to all of these conditions, the IRS also has the right to default your installment agreement if at any time you fail to file or fail to pay your current taxes. Throughout the term of the installment agreement, payments must be made on time. If you do not, this can also result in the IRS defaulting your agreement. If the payments can't be made due to a change in your financial condition you must immediately contact us so that we can help you avoid going back into the enforced collection process.

Advocacy in Action

In one of our more recent cases we had a client come to us who had been suffering the indignities of enforced collection and needed some resolution to their tax debt. After reviewing this client's financial information we decided the best option would be for the client to enter into an installment agreement. In the past they

had not been successful in keeping up with the payment the IRS had set. This client was unaware that all returns must be filed. We prepared and filed all delinquent returns. After some tough negotiations we were able to set this client up on an installment agreement they could afford.