

How to Settle Your Back Taxes with the IRS



The insiders guide to obtaining freedom from tax debt

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Table of Contents

Chapter 1 – Resolution Tax

Chapter 2 - Unfiled Tax Returns

Chapter 3 – Releasing the Tax Debt on Technical Terms and Payment in Full

Chapter 4 – Installment Agreements

Chapter 5 – Currently Not Collectible

Chapter 6 – Offers in Compromise

Chapter 7 – Penalty Abatement

Chapter 8 – Bankruptcy

Chapter 9 – Innocent Spouse

Chapter 10 – Tax Liens and Levies

How to Settle Your Back Taxes with the IRS

Chapter 1 – Tax Resolution

To understand resolving a tax debt I have written a short book on “how to” so that consumers can understand how to fix their tax debts and when they need professional assistance. Resolving your back taxes with the IRS is usually referred to as tax resolution. The most common question is what tax resolution is? Tax resolution involves finding the source or sources of your tax problems and the best options available to resolve the issue with the Internal Revenue Service or State Department of Revenue. Tax resolution is settling your tax debt for the lowest dollar amount that is permissible by the tax code. The resolution may involve several steps such as filing unfiled tax returns, requesting a penalty abatement, installment agreements or a settlement agreement. When working with an Enrolled Agent (Enrolled Agents Specialize in tax debt resolution) will use their experience to look for the least expensive solution for each client in their unique situation. They can do this by reviewing your state and federal account transcripts to see the problems. They will also want to discuss your financials to best understand the issues as well as the solutions available to you.

Our clients generally understand the basics of what their problems are and how they got to that point. Depending on the situation we request as many years of transcripts as necessary. Then speak with the IRS or State to best understand the problem. The Enrolled Agent will review them for any technical grounds to dispute the tax or unfiled tax returns. You can request your tax transcripts at [tax transcripts](#). Your transcripts will contain IRS Records of Account, Account Transcripts, Wage and Income Statements as well as Tax Return Transcripts for all of the years necessary to understand the problem.

The IRS offers a free service known as the National Taxpayer Advocate Office at 1-877-777-4778 for help determining your tax problem. You should keep in mind that the Tax Advocate Service has an overwhelming number of cases and is slow, however, can assist you in the resolution process.

If you have received any correspondence from an IRS Revenue Officer, the letter will identify the name and telephone number of the IRS employee that sent the letter. We strongly recommend that you speak with a tax professional such as an Enrolled Agent that specializes in protecting taxpayer rights. Here is a link to explain an IRS Revenue Officer job description: [Revenue Officer](#). While the IRS website makes it sound too good to be true that a Revenue Officers job is to assist you in resolving your tax problems. It is our experience that a Revenue Officer is far more educated, specializes in the collection of tax debts, and has the authority and ability to seize your bank accounts, place liens on assets, seize retirement accounts, and garnish wages without having to go through an enormous amount of red tape. They have considerable ability to utilize the IRS collections tools. When speaking to a Revenue Officer that may come across as very outgoing and friendly, it is good advice to remember the job title and description. You should also be aware a Revenue Officer can visit you at home, work or other places including your family members' homes if warranted without warning. They show up unannounced.

How to Settle Your Back Taxes with the IRS

While communication with your tax professional is considered confidential, contact with the IRS is not. If you are sincerely trying to resolve a state or federal tax problem, you will find most Enrolled Agents extremely helpful.

How to know when it is time to seek professional assistance? The answer is simple, listen to your instincts. If you think the problem is out of control, it probably is, and that is an instinct you should not ignore. I strongly suggest that before you consider hiring representation, you speak with an Enrolled Agent (our consultations are free of charge) and weigh the cost versus benefits.

Professional representation is not always expensive, but of course, depending on the matter it can be. We use a process to start off with every client where we spend 30 minutes or so speaking with the client discussing the what, why, when, and how this matter began. Also, what has transpired to date. The discussion gives us a better understanding of the client's position and what has occurred from the clients perspective. Then we engage the IRS and or State Department of Revenue and retrieve the Tax Documents necessary to understand the problem, file missing returns, review returns that were filed and give the consumer a clear picture of the problem. The next step is to spend 45 minutes to an hour performing a thorough and complete financial analysis. The financial analysis would include income, expenses, and assets. The review gives us insight into the IRS programs that the consumer qualifies for and the ability to present a solution without having to guess at anything.

This initial investigative work will provide you with a "blueprint" of how to resolve your tax problems and give you the peace of mind you have not had since the first time you realized you owed the IRS money and could not afford to write a check for or felt like you were unfairly assessed.

There is no substitute for federal licensing, the training and experience of an Enrolled Agent when it comes to getting you the best possible resolution. Working with an Enrolled Agent will also save you, frustration and time that much is guaranteed. An Enrolled Agent Specializes in IRS Collections of debt, Audits and Filing Amendments, unlike a CPA or Tax Attorney that each specializes in a different aspect of taxation.



How to Settle Your Back Taxes with the IRS

Chapter 2 - Unfiled Tax Returns

Thousands of taxpayers fail to file their tax returns every year. The failure to file a tax return or tax returns is the worst option and never a good idea. Consumers tend to become ostriches with their heads stuck in the sand and ignore the IRS and the fact that they are not filing. Ignoring the problem then snowballs into a disaster for many reasons.

If you have unfiled tax returns, you should know that the IRS can consider failure to file as a criminal act. Not filing is punishable by one year in jail for each year that you did not file.

The IRS may file a Substitute for Return when you fail to file a tax return. A Substitute for Return will include all the information that the IRS has about your income such as the copies of W-2's or 1099's from employers and standard deductions but will not reflect any deductions that you may have taken if you would have filed your tax return. Deductions which you may be entitled to such as exemptions for your dependents are not considered.

The best thing you can do is get a copy of your IRS Master Transcripts before filing your tax returns. One of the many mistakes that consumers make is filing tax returns without reviewing their transcripts. In some cases where the IRS or State has already filed a tax return for you submitting your tax return can extend the time frame that the Department of Revenue can collect.

Once you have received your tax transcripts from the IRS, the next step is to file all unfiled returns, keep in mind some returns will not be required to be filed. As well it is not always in your best interest to file older returns that are not necessary, as this can create an unjust balance due. So, make sure you submit all of the tax returns required by law, not necessarily what the IRS tells you to file!

A taxpayer must be considered "current" before the IRS will negotiate any [tax debt](#). To file your past due tax returns visit [past due tax returns](#) and follow the instructions. We do not recommend that a taxpayer file older tax returns before having a consultation with an Enrolled Agent. The late filing penalty can be ten times more than the penalty for not paying your taxes. In some cases, these penalties can be avoided or even abated.

We realize the process can be scary to endure on your own. If you feel you need professional help at this point maybe it is time to reach out to us. Once we begin the process of representing you an [Enrolled Agent](#) in charge of your file will have one on one interaction with you throughout the entire process. Our Enrolled Agents have almost 30 years in business. A consultation is free. For questions call us at 561-293-3135 or [online](#).

How to Settle Your Back Taxes with the IRS

Chapter 3 – Releasing the Tax Debt on Technical Terms and Payment in Full

When an Enrolled Agent reviews your tax transcripts, they look for technical grounds to have the tax debt released. There are several ways to dispute the tax on technical terms including filing an amended tax return if the statute of limitations hasn't expired or submitting an offer in compromise with a doubt of the collectability to the liability. As well, utilizing the IRS Tax Laws regarding filing deadlines, audit timing, and Collection Statute of Expiration Dates to eliminate the debt immediately or even over time in some cases.

If you have sufficient assets and income, the best approach may be to pay the debt. However, even this approach is complicated, as you may be entitled to some forms of reduction before paying the IRS in full or even over time. You should consult with a tax professional before writing a check to the IRS. To be clear, if the amount due is just \$500 pay it, however, more substantial amounts can be subject to simple forms or reduction that can save you money.

The IRS typically overlooks it when a consumer misses a payment, however not a second time. Two missed payments will usually void the agreement with the IRS and place your back taxes into collections where penalties and interest will begin to accrue once again. As you can see setting up an IRS structured Installment Agreement can be a double-edged sword. Six years a substantial payment is a significant commitment to most Americans already living payment to paycheck. What if you have a great job now and lose it six months to even three years down the road? What happens then? As stated, before establishing a payment plan with the IRS a [consultation](#) with one of our tax professionals or resolution specialists is a good idea and can save you from making a mistake you may later regret.

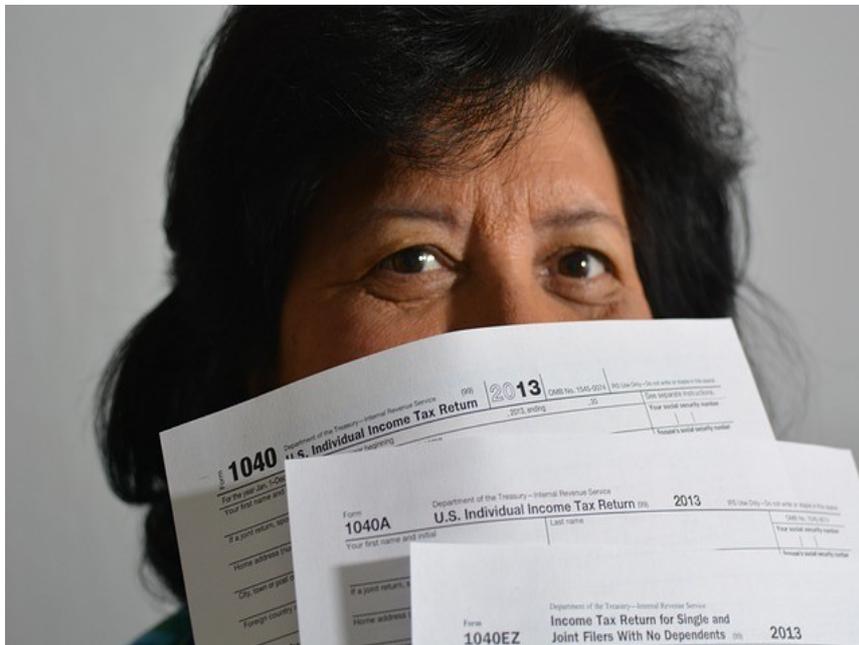


How to Settle Your Back Taxes with the IRS

Chapter 5 – Currently Not Collectible

You may qualify for currently not collectible status if you are presently unemployed, have negative disposable income or do not have any assets that can be sold to pay the tax debt. In this situation, the IRS suspends their collection efforts until your financial situation improves.

If your financial situation does not improve, you may be eligible for an offer in compromise. While in currently not collectible status, penalties and interest accrue and your debt increases. The IRS will file a federal tax lien. Your financial situation will be periodically reviewed by the IRS, and if it does change, you will be expected to pay towards the debt. You can call the IRS and apply for a currently non-collectible status over the phone. Again, we do advise that you speak with the tax professional before disclosing information to the IRS. You can call us for a free consult 561-293-3135.



How to Settle Your Back Taxes with the IRS

Chapter 6 – Offers in Compromise

An offer in compromise allows you to settle your tax debt for less than the amount owed. It is only a legitimate option for a taxpayer if they do not have any outstanding (unfiled) tax returns and are not in an open bankruptcy proceeding. While an offer in compromise does allow you to settle your tax debt for less than you owe it is rarely the “pennies on the dollar” as advertised.

An offer in compromise depends on your ability to pay based on your income, expenses and your equity assets. An offer in compromise is usually accepted by the IRS when the amount offered represents the most that they would expect to be able to collect within a reasonable period. You should explore all other IRS programs before filing for an offer in compromise.

If you do decide to request an offer in compromise, the IRS offers two options for your initial payment based on your offer and the payment option you choose. If you prefer a lump sum payment, you must submit an initial 20 percent of the total offer amount with your application fee. If the offer is accepted, you will receive written confirmation and be given five or fewer payments to pay the debt. If you choose periodic payments, you must submit your initial payment with your application fee a continue monthly payments while the IRS considers your offer. The application fee is \$186.

There are low-income certification guidelines, that may excuse you from sending in the application fee or the initial payment and under these circumstances, you will not need to make monthly payments while the IRS considers your offer.

While the IRS considering your offer, your non-refundable payment and fees will be applied to the tax liability (you can designate payments to a specific tax year and tax debt). The IRS can still file a Federal Tax Lien may yet be filed.

If your offer is accepted any refunds due within the calendar year in which your proposal is authorized will be applied to your tax debt. Tax liens will not be released until your offer terms are satisfied.

To submit your offer, you will need to provide information about your financial details on your financial situation, including cash investments, available cash, assets, income, and debt. The IRS will also require our average household gross monthly income and expenses.

The acceptance rate for an offer in compromise is just slightly more than 40% without the guidance of a tax professional. The reason for such a small acceptance rate is what the IRS refers to as frivolous offers. You can increase your odds to 95% or even explore better IRS programs by speaking to one of our [Tax Professionals](#). To submit your offer directly to the IRS visit [Offer in Compromise](#).

How to Settle Your Back Taxes with the IRS

Chapter 7 – Penalty Abatement

Some taxpayers might be entitled to abatement (relief) from federal tax penalties if you made a legitimate effort to satisfy legal demands, due to events beyond your control, known as reasonable cause.

When you have received a notice from the Internal Revenue Service review it for correctness. You are eligible for penalty relief if you failed to file a tax return, failed to pay on time, failed to deposit certain taxes on time and some other circumstances on occasion.

The Internal Revenue Service will need to know what happened and when. The actual events that kept you from filing and paying on time. How those events prevented you from filing or paying your taxes on time. Did your circumstances interfere with other responsibilities? When your situation changed what steps did you take to try to correct the situation?

To meet the Internal Revenue Service's reasonable cause requirement, you must have made all reasonable efforts to meet your tax obligations but couldn't due to something like a natural disaster or serious illness. The Internal Revenue Service does not consider the inability to pay a reasonable cause not to file for [more information](#) on the penalty for not filing taxes.

The interest on the actual penalty can be removed if the penalty is forgiven. Interest on any remaining balance will not be forgiven and will continue to accrue until it is paid in full. To request a penalty abatement, complete this [form](#).

The Internal Revenue Service may require documentation to support your request such as court or medical records or documentation of a natural disaster.

For assistance with penalty abatement, our Enrolled Agents are ready to help with almost 30 years of experience working with the IRS on behalf of clients just like you. Our Enrolled Agents will listen to your concerns and find the solution that works best for you. We are a small company, family owned and operated. You will not get lost in a crowd, and you will work directly with an Enrolled Agent, not a case manager. We only promise straightforward solutions for our clients who owe the Internal Revenue Service and we deliver tax settlement quickly and with no hidden fees. To contact us by phone call us at 561-293-3135 or [online](#).

How to Settle Your Back Taxes with the IRS

Chapter 8 – Bankruptcy

Bankruptcy can discharge tax debt or give you a more affordable way to pay back the IRS than what they would usually agree to if specific requirements are met. These include that the taxpayer is current with their tax filings, the taxes were due at least three years before you filed for bankruptcy, the tax debt was assessed approximately eight months before filing for bankruptcy, there was no criminal tax evasion or fraud. For more information regarding bankruptcy and tax, debt visit the [IRS bankruptcy page](#).

While your bankruptcy is under consideration of the court, the IRS will not be permitted to continue their collection efforts unless you have filed for bankruptcy more than once, in which case, a court-ordered stay of collections may not be issued. If this is not the first time filing for bankruptcy, you should discuss other options for stopping collection efforts with an Enrolled Agent.

In a Chapter 7 bankruptcy, the court can only discharge tax debt that is at least years old? When the bankruptcy case has been completed and closed the IRS is free to resume collection efforts on any remaining tax debt. In a Chapter 13 bankruptcy, you may be able to negotiate a smaller payment plan with the IRS than they would generally accept. However, you should speak with a federally licensed tax practitioner before filing a Chapter 13 Bankruptcy for the elimination or reduction of State or Federal past due taxes.

As stated previously, every client's situation is different, and while this advice can help guide you, it does not apply to every situation. If you have a tax lien, you should speak to an enrolled agent before considering bankruptcy if your primary concern is tax debt visit our page on how to get a [lien released](#). A consultation is free. Our Enrolled Agents have almost 30 years of experience dealing with Federal and State tax debt. Our blueprint for a long-lasting, successful business is offering straightforward, honest answers, providing quick tax resolution with no hidden fees [contact us](#).

How to Settle Your Back Taxes with the IRS

Chapter 9 – Innocent Spouse

If you find that you owe the IRS because of the actions of your spouse or ex-spouse, you may be able to rectify the situation by filing for innocent or injured spouse status with the IRS. The IRS has criteria that must be met to qualify as an injured or innocent spouse, and the entire process may take six months. During this time the IRS will contact your spouse or ex-spouse to notify them of the claim.

You will need to complete IRS Form 8857 to request relief under innocent spouse. You can include a letter with additional details if necessary. Qualifying as an innocent spouse will require that the tax error point to your spouse. For example, they overstated a deduction related to their employment or understated their income. You must not have had prior knowledge of the error.

The IRS recommends that you file for innocent or injured spouse status as soon as you become aware of tax liability. If there is a balance due you have up to 10 years from the date the tax liability was assessed to file. If there is a refund due you have three years from the date the return was filed or two years from the date the tax was paid to file for innocent spouse status. For more information regarding innocent spouse visit the [IRS innocent spouse page](#).

If you file jointly with your spouse and part of your refund has been applied to your spouse's legally enforceable past-due federal tax, state income tax, state unemployment compensation debts, child or spousal support, or a federal nontax debt, such as a student loan you may be able to apply for injured spouse allocation using IRS Form 8379. If you live in a community property state, you may not qualify for this allocation.

For a free consultation, you can [contact us](#). Our Enrolled Agents have almost 30 years of experience negotiating tax debt and are ready to help you.

How to Settle Your Back Taxes with the IRS

Chapter 10 – Tax Liens and Levies

A Federal Tax Lien is a public document and will show on your credit report. It will affect your ability to get credit. A lien can be attached to any business property or additional properties that you own. The IRS can even apply a levy-lien against your accounts receivables. A bankruptcy will not get rid of a Federal Tax Lien.

If the IRS places a lien on your house, you must satisfy your tax debt before you can sell or even refinance your home. If you have enough equity in your house, the tax lien can be paid out of the sales proceeds at the time of closing. If you are selling your house for less than the lien amount our Enrolled Agents can work with the IRS to request a discharge of the lien.



Tax Levy

A lien is not the same as a tax levy. A levy is when the IRS seizes your property to pay the tax debt. It's not just in the [movies](#).

Help is Just a Call Away

We can step in and help you with an IRS lien release. Our Enrolled Agents and CPAs have almost 30 years of experience dealing with the Internal Revenue Service and finding tax resolution for our clients. We are a small company. You will not get lost amongst thousands of clients. We take pride in our work and care about our client's concerns. Our blueprint for our long-lasting success is straightforward, honest options, quick results, and no hidden fees.

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We serve all 50 states.

[Learn more](#)