

# FACT SHEET

## Collection alternatives



### Collection alternatives overview

When you owe money to the IRS, penalties and interest can add up, and eventually, the IRS can collect the money with actions such as liens and levies. It's best to pay the IRS as soon as possible or work out a payment arrangement with the IRS. Several collection alternatives are available if you qualify.

- **Extensions of time to pay:** You can request more time to pay your taxes with a short-term extension (usually 60-120 days) or a financial hardship extension (usually 6-18 months).
- **Installment agreements:** You can set up a monthly payment plan with the IRS.
- **Currently not collectible status:** If you can prove to the IRS that you can't pay anything, the IRS can place your account in temporary "currently not collectible" status.
- **Offer in compromise:** In rare situations, you may be able to settle your debt for less than the total amount that you owe to the IRS.

Your tax professional can help you determine which option works best for your situation.

### What your tax professional will do

1. First, your tax professional will determine the total amount that you owe to the IRS.
2. Next, your tax professional will need to obtain financial information from you to determine which collection option(s) you qualify for.
3. Then, your tax professional will discuss the best option(s) with you and prepare any required paperwork.
4. Finally, your tax professional will contact the IRS to request the collection alternative.

If the IRS denies your request for an installment agreement or an offer in compromise, your tax professional will help you determine whether to appeal.

### What you may need to do

You may need to provide your tax professional with financial information so that he or she can determine which collection alternative is best.

You may also need to sign an IRS form authorizing your tax professional to contact the IRS on your behalf.

### Timeline to resolve this issue

Depending on the type of collection alternative and how your tax professional makes the request (mail, phone or in person), the IRS typically takes from two to six months to make a determination. More complex arrangements, such as an offer in compromise, could take more than a year.

### FAQs

#### ***What are the most common types of IRS payment arrangements?***

The IRS routinely grants short-term extensions of time to pay and installment agreements. The most common type of installment agreement is the streamlined installment agreement, which allows taxpayers to make monthly payments to the IRS.

#### ***How do I qualify for a streamlined installment agreement?***

To qualify, you must:

- Owe the IRS \$50,000 or less
- Be able to pay the entire amount owed in six years or less
- Have filed all required returns
- Ensure that your current year's withholding or estimated tax payments cover your current taxes

#### ***Does the IRS charge interest and penalties while I'm in a payment arrangement?***

For all payment arrangements, the IRS charges interest until the balance is paid in full. In addition, for most payment arrangements, the IRS charges penalties, so it's in your best interest to pay the IRS as soon as possible. You may be better off obtaining the funds from other sources to pay the IRS.