

**IRS****News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: October 1, 2001****Release No: IR-2001-89****IRS ENCOURAGES SOCIAL SECURITY RECIPIENTS  
TO RESOLVE FEDERAL TAX DEBTS**

**WASHINGTON** -- The Internal Revenue Service issued a consumer alert today encouraging older Americans and others who receive Social Security payments to resolve any long-term unpaid federal tax bills now to avoid having their benefit payments reduced next year.

To prevent having their benefits reduced, seniors or other Social Security recipients with overdue tax debts should contact the IRS at 1-800-829-7650. Those who have already arranged to pay their tax debts through installment agreements or other IRS programs won't be affected by this program and do not need to contact the IRS.

Payments to Social Security recipients could be reduced by 15 percent next year through the next phase of the Federal Payment Levy Program if their tax debts remain unresolved. About 232,000 of the nearly 45 million people who receive Social Security payments owe federal taxes from earlier years.

Social Security recipients who owe federal tax debts will begin receiving notices about the program in October. The IRS will suspend notices from being sent to anyone within one of the federally declared disaster areas related to the recent terrorist attacks. Anyone who lives outside the disaster areas, but is affected by the attacks and receives a notice, should call 1-866-562-5227, a special toll-free number the IRS set up to assist those affected by the Sept. 11 terrorist attacks.

"Most seniors and Social Security recipients will not be affected," said IRS Commissioner Charles Rossotti. "But we want those who are to contact the IRS now so they can resolve their tax obligations before it affects their Social Security payments."

Congress approved the Taxpayer Relief Act of 1997, which authorized continuous levies on certain federal payments going to individuals and businesses, including Social Security payments.

The IRS applies the Federal Payment Levy Program after attempts to resolve delinquent tax accounts have failed. Although various types of Social Security payments are subject to this 15 percent levy, special payments will not be included under this program:

- Payments to children will not be reduced.
- Lump sum death payments will not be reduced.
- Payments with partial withholding to repay Social Security overpayments will not be reduced.

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- Prouty benefits will not be reduced.
- Supplemental Security Income payments will not be reduced.

Payments to those in bankruptcy, suffering hardship situations or those who have applied for relief as an innocent or injured spouse will not be levied.

Before levies are placed, delinquent taxpayers receive a final notice with details about their tax bill, an explanation of their appeal rights, and a telephone number for inquiries and assistance. The IRS will not issue a levy if payment arrangements are made within 30 days after a final notice is sent.

If there is no response, the IRS transmits the levy electronically to the Financial Management Service, a bureau of the Treasury Department. From that point until the debt is paid or other satisfactory arrangements are made, FMS reduces the taxpayer's Social Security payments subject to the levy by 15 percent and sends it to the IRS. The balance of the payment is sent to the taxpayer.

Those who feel they may suffer a significant hardship because of this program can contact the Taxpayer Advocate Service at 1-877-777-4778. The Taxpayer Advocate Service is an IRS program that provides an independent system to help taxpayers resolve problems with the IRS. The Taxpayer Advocate Service reviews hardship situations and other issues on the merits of each case.

Social Security recipients affected by this program should direct any questions to the IRS, not the Social Security Administration.

This is the next phase of the Federal Payment Levy Program, which the IRS is implementing over 3-4 years. The first phase started in July 2000 with levies on some federal retirement payments and payments to vendors doing business with the federal government. Other phases added federal employees' travel advances and reimbursements. The salaries of federal employees paid through the National Finance Center will be added to the program this fall.

The General Accounting Office estimates this phase of the FPLP could recover about \$311.8 million annually in unpaid tax bills from those who receive Social Security payments.

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