

## IRM PROCEDURAL UPDATE

**DATE:** 12/18/2025

**NUMBER:** sbse-05-1225-3751

**SUBJECT:** Expanding the SIMPLE Payment Plan to the Financial Analysis Procedures

**AFFECTED IRM(s)/SUBSECTION(s):** 5.19.13

**CHANGE(s):**

**IRM 5.19.13.1.6 Terms/Definitions/Acronyms Updated paragraph (2) table list: NSIA Definition to Non-Simple Installment Agreement.**

- (1) The frequently used terms within this IRM along with their definition:
- a. Allowable Living Expense - These provide for taxpayer's and their family's, health/welfare and/or the production of income.
  - b. National Standards - A number of necessary expenses such as; food, housekeeping supplies, apparel and services, and personal Care products and services.
  - c. Local Standards - These include housing, utilities, and transportation expenses for a taxpayer's primary place of residence.
  - d. Six (6) Year Rule - All expenses **may** be allowed if taxpayer can full pay within six years.
  - e. One (1) Year Rule - Taxpayers who cannot full pay within six years **may** be given up to one year to modify or eliminate excessive necessary and/or non allowable conditional expense.

(2) This table lists most commonly used acronyms within this IRM.

Acronym	Definition
AAB	Aggregate Assessed Balance
ALE	Allowable Living Expense
AMS	Accounts Management System
CNC	Currently Non Collectible
CIS	Collection Information Statement
CSED	Collection Statute Expiration Date
NFTL	Notice of Federal Tax Lien
NSIA	Non Simple Installment Agreement
PPIA	Partial Pay Installment Agreement

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**IRM 5.19.13.3 Securing Financial Information Updated paragraph (2) two impacted IRM citations landing page.**

(1) The goal of securing financial information is to determine the taxpayer's maximum ability to pay their delinquent tax debt based upon their current financial situation. Obtaining financial information verbally (phone call or face to face) or from a Collection Information Statement (Form 433 A, F, or H) is ONLY required when a taxpayer indicates one of the following :

- a. Taxpayer qualifies for Non-Simple Installment Agreement (NSIA)

**Exception:** Financial analysis is no longer required for certain NSIAs, refer to IRM 5.19.1.6.4(12) (a), Installment Agreements (IAs).

**Reminder:** When following the guidance for securing financial information throughout this IRM, please refer to IRM 5.19.1.2.3, Disclosure Overview - Verifying Identity of Contact Party, to ensure disclosure guidelines are followed when interacting with taxpayers and/or their authorized representatives.

**Reminder:** Conduct a full compliance check (FCC) - see IRM 5.19.1.4.4.1, Full Compliance Check. Do not input a financial where the taxpayer is not within filing compliance.

**Exception:** If the taxpayer is experiencing a financial hardship and indicates cannot pay, currently not collectible (CNC) is being considered, see IRM 5.19.17.2.4, CNC Unable to Pay - Hardship.

**Reminder:** If during the course of the contact with taxpayer, they advise you they are experiencing an economic hardship situation or if they ask for assistance in resolving their tax problems, see IRM 5.19.1.3.2.3, Taxpayer Advocate Service (TAS), for guidance about referring taxpayers to TAS.

**Reminder:** If the taxpayer states they are experiencing an economic hardship due to a levy, secure enough financial information to confirm the levy is causing the taxpayer to be unable to meet necessary living expenses, see IRM 5.19.4.4.10 (5)(j), Levy Release: General Information, for levy release determinations even in situations where the taxpayer has unfiled returns.

- b. Taxpayer indicates they cannot pay, and a partial pay installment agreement (PPIA) is being considered.
- c. Taxpayer payment amount requested is insufficient based on the following installment agreement criteria:

**Reminder:** Any Installment Agreement (IA) established based upon the results of a financial statement must be input as an Non-Streamlined Installment Agreement (NSIA) or PPIA, as applicable. See IRM 5.19.1.6.4, IAs, or IRM 5.19.1.6.5, PPIA. (2) Guaranteed IA - See IRM 5.19.1.6.4 (8), Guaranteed Installment Agreement. Simple Payment Plan \$50,000 and under, or IRM 5.19.1.6.4 (12), Non-Simple IA (NSIA) or Regular IA - IMF & OOB Sole Proprietors.

(3) If the taxpayer or financial statement indicates they cannot full pay within 180 days, qualify for a Guaranteed IA or Simple Payment Plan, do the following based upon your assigned operation:

If ...	Then ...
<b>CSCO and ACSS,</b>	Request Form 433-F, Collection Information Statement. Advise the taxpayer to forward the completed form, to the appropriate CSCO site (notice status only) per state mapping SERP - Service Center Addresses for Collection Operations - Who/Where (irs.gov) or to the appropriate ACSS site (status 22, 24 only) per state mapping. SERP - SB/SE Consolidated State Mapping for ACS Support and Collection Due Process - CPLG (irs.gov).
<b>ACS call site/Field Assistance,</b>	Secure financial information and input the financial statement on AMS financial screens.

(4) Input the financial information, clearly document all actions taken on the account and relevant financial information on AMS, **save and create history**. All applicable financial screen(s) on AMS **must** be completed prior to making a determination of the taxpayer's ability to pay.

**Note:** Taxpayers are **not required to prove** they are paying their housing, utilities, car payments etc. **Do not** request bank statements, pay stubs, copies of bills or contracts be sent in to complete the financial input for this reason. However, if the taxpayer claims payments on a student loan, court order (i.e. child support), or delinquent state or local tax debt, verification is required.

(5) When toll free contact is made on a financial case with an **open IDRS control in ACSS or CSCO**, advise the taxpayer to:

- Contact the employee whose name and number was provided on the notice.**
- Do not** allow additional time without contacting the person with the open control.
- If you can resolve the case **based upon the controlling person's history and the taxpayer providing the required information**, fax a Form 4442, Inquiry Referral, to the controlling tax examiner advising them of the closing action. USE the fax number per SERP Who/Where, Form 4442, Referral Fax Numbers.

- d. **DO NOT** request the taxpayer provide additional information that has **not** been requested by the person with the control base, such as bank statements, pay stubs, etc.

(6) If conducting a telephone call or face-to-face contact, verify the taxpayer has complete financial information available to make the case decision before proceeding. Most taxpayers should be able to provide income and expense information during the initial contact.

- If the taxpayer requested an IA that does not meet Simple Payment Plan criteria and you cannot secure any financial information immediately (verbally or by the Document Upload Tool (DUT) or eFax during the phone contact), follow instructions provided in (6) below.
- If the taxpayer requested an IA that does not meet Simple Payment Plan criteria and you can secure **some but not all** of the financial information immediately (verbally or by fax during the phone contact), follow the instructions in the table below.
- If financial information is needed for any other reason (possible CNC or hardship determination), follow the instructions in the table below.

**Reminder:** If income can be verified through internal sources or the only source of income is from Social Security or Unemployment, there is normally no need to request substantiation. Similarly, if taxpayers expenses are within local and national standards there should be no need to request substantiation. If substantiation is required, verbal substantiation of the item is normally sufficient. If the verbal explanation from the taxpayer is acceptable, thoroughly document the taxpayer's explanation in detail. **Only request paper substantiation if the taxpayer is unable to explain the discrepancy.**

**Caution:** You should never consider email secure. Do not include taxpayer, SBU, or PII information in email messages or attachments unless you use IRS approved encryption technology. See IRM 1.10.3.2.1, Secure Messaging & Encryption.

Instructions for when taxpayer is unable to provide all required financial information for face to face and telephone contact

If ...	Then ...
ACS,	<p>If additional information/substantiation is needed, request it via fax or DUT while on the phone to resolve the case.</p> <ol style="list-style-type: none"> <li>Provide the taxpayer with an appropriate deadline to submit the information being requested. If the taxpayer states they <b>will fax or upload the information</b> and is unable to do so while on the call – allow five days from date of telephone call.</li> <li>If the taxpayer <b>cannot fax or upload</b> the information, advise the taxpayer to send <b>ONLY</b> the information that is missing or needed (i.e., substantiation) to resolve/complete the case to the appropriate ACSS site (or fax, if appropriate) and include their</li> </ol>

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Instructions for when taxpayer is unable to provide all required financial information for face to face and telephone contact

If ...	Then ...
	<p>name and TIN with the information. Add 15 calendar days to the due date given the taxpayer.</p> <ul style="list-style-type: none"> <li>○ If the taxpayer indicates they will <b>call back</b>, allow 5 days.</li> <li>○ If the taxpayer indicates <b>they will mail</b> the required information - provide the appropriate ACSS address per state mapping. SERP - SB/SE Consolidated State Mapping for ACS Support and Collection Due Process - CPLG (irs.gov). Add 15 calendar days to the due date given the taxpayer.</li> </ul> <p><b>Note:</b> If the taxpayer does not respond, proceed with the next action.  <b>Example: Levy, NFTL, Independent Review, LT11, Final Notice -- Notice of intent to levy</b> and your notice of a right to a hearing (sent certified, return receipt requested), etc.</p>
<b>Field Assistance,</b>	<p>Direct the taxpayer to bring documents back to the TAC.</p> <ul style="list-style-type: none"> <li>• If they are unable to, advise them to call ACS toll-free number depending on the case status, or to send <b>ONLY</b> the information that is missing or needed (i.e., substantiation) to resolve/complete the case to the CSCO SERP - Service Center Addresses for Collection Operations - Who/Where (irs.gov) or ACSS site SERP - SB/SE Consolidated State Mapping for ACS Support and Collection Due Process - CPLG (irs.gov) and include their name and TIN with the information.</li> <li>• Provide the taxpayer with an appropriate deadline to submit the information being requested, 15 days for information being mailed.</li> </ul>

(7) If the taxpayer cannot provide **any** information while on a call, they may either:

- Call back with the information - allow five days; or
- Complete and mail a paper Form 433-F, Collection/Information Statement, to appropriate CSCO site (notice status only) based on state mapping SERP - Service Center Addresses for Collection Operations - Who/Where (irs.gov) or appropriate ACSS site (status 22, 24 only) based on state mapping SERP - SB/SE Consolidated State Mapping for ACS Support and Collection Due Process - CPLG (irs.gov) - add 15 calendar days to the due date given the taxpayer.

**Exception:** If the call is related to a hardship levy release: **SB/SE** is required to address the issue over the phone, for Taxpayer Services (TS) (formerly Wage and Investment (W&I) follow IRM 5.19.4.4.10(4), Levy Release: General Information.

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(8) Once financial information is provided, CSCO and ACSS employees are required to control and work all cases to completion. This includes attempts to obtain verification or required substantiation. See IRM 21.3.3.4.1, Case Control and Inventory Management.

(9) For paper case processing, immediately associate taxpayer responses with the suspended case and resolve. If unable to resolve, do the following:

If ...	Then ...
<b>ACSS,</b>	<ul style="list-style-type: none"> <li>a. Attempt to contact the taxpayer by phone or issue the appropriate correspondex letter to request additional information; if making a phone attempt and contact is not made with the taxpayer, you must follow-up with a letter requesting additional information . Allow 30 days from the date of the letter issuance for the taxpayer to respond.</li> <li>b. Update current AMS control to <b>S</b> status with a follow-up for 45 days then suspend case. Suspend the case on ACS for the appropriate number of cycles; Input "TOS5, XX,IAPND or TOS4, XX, SUBRQST" (XX = the number of days the case will be in suspense (45).</li> <li>c. If the taxpayer does not respond by the end of the suspense period of 45 days, follow instructions in paragraph (11) below.</li> </ul>
<b>CSCO,</b>	<ul style="list-style-type: none"> <li>a. Attempt to contact the taxpayer by phone or issue the appropriate Correspondex letter to request additional information; if making phone attempt and contact is not made with the taxpayer, you must follow-up with a letter requesting additional information. Allow 30 days from the date of the letter issuance for the taxpayer to respond.</li> <li>b. Update current AMS control to "S" status with follow-up for 45 days then suspend case.  <b>Note:</b> A manual CC STAUP is not normally required; AMS is programmed to take the appropriate action(s).</li> <li>c. If the taxpayer does not respond by the end of the suspense period, follow instructions in paragraph (11) below.</li> </ul>

(10) A complete collection information statement (CIS) must be provided, when required, for an IA to be considered pending.

**Note:** A completed CIS can be provided verbally or in writing and must include sufficient information to make an initial collection decision. If required, substantiation may be provided at a later time. See IRM 5.19.1.2.6.4, Financial Analysis, Verification and Substantiation.

When corresponding with the taxpayer, provide a contact name, hours of operation, return address, and a telephone number for contact. Leave AMS history regarding the information/substantiation requested and why the information has been requested, IRM 5.19.1.6.4.7, Pending IA Criteria. ACSS employees should provide your contact information when available or your team's contact information.

**Note:** CSCO and ACSS employees receiving information requested during phone contact should complete the financial analysis. Do not forward the information to an ACS employee who previously worked with the taxpayer. **Only** CSCO and ACSS employees control and work financial cases to resolution.

(11) If attempts at contact are unsuccessful, telephone and correspondence is issued with no response from the taxpayer and suspense time has passed, proceed with the next appropriate action.

**Example:** Levy, NFTL, Independent Review, LT11, Final Notice -- Notice of intent to levy and your notice of a right to a hearing (sent certified, return receipt requested), etc.

(12) If the AAB (CC SUMRY) (including prior CNCs, Notice Status, ST 23, etc.) **is more than # [REDACTED] # but less than # [REDACTED] # , secure income information and allow National and Local Standards, NO substantiation or verification is required.** Base the IA amount on the result of the financial analysis **unless** the taxpayer agrees to a Simple Payment Plan.

(13) If a taxpayer needs assistance preparing a financial statement and does not have a representative, they may be eligible for assistance from a Low Income Taxpayer Clinic (LITC). LITCs:

- Represents low income individuals in resolving controversies with IRS, including audits, appeals, tax collection disputes, and litigation.
- Provide services to taxpayers who speak English as a second language, including education about taxpayer rights and responsibilities, and consultations on individual tax issues.
- Provides services for free or no more than a nominal fee.
- Receive funding from the IRS, and the program receives oversight from the National Taxpayer Advocate (NTA), but the clinics are wholly independent of the IRS.
- Are typically located in each state, Puerto Rico, and the District of Columbia, but occasionally there are geographic areas underserved. For a complete list of LITCs, languages in which assistance is provided, and contact information, see Pub 4134, Low Income Taxpayer Clinic List.

**Note:** The Taxpayer First Act (TFA) section 1402 provides that, "Notwithstanding any other provision of law, officers and employees of the Department of the Treasury may advise taxpayers of the availability of, and eligibility requirements for receiving, advice and assistance from one or more specific qualified low-

income taxpayer clinics receiving funding under this section, and provide information regarding the location of, and contact information for, such clinics”.

(14) Refer taxpayers to the Taxpayer Advocate Service (TAS) when the contact meets TAS criteria see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria, and you cannot resolve the taxpayer’s issue the same day. TAS provides assistance to taxpayer’s who are experiencing economic harm, who are seeking help in resolving tax problems that the IRS has not been able to resolve through normal channels or believe that an IRS system or procedure is not working as it should. See IRM 5.19.1.3.2.3, Taxpayer Advocate Service (TAS) , for further information about referring taxpayers to TAS.

**IRM 5.19.13.3.2.2, Allowable Living Expenses Added new paragraph (5) procedures for when researching International Collection Financial Standards and included a link to the Calculator.**

(1) Allowable Living Expenses (ALE), also known as Collection Financial Standards, provide for a taxpayer's and their family's, health and welfare and/or the production of income. These expenses must be reasonable in amount for the size of the family and the geographic location, as well as any unique individual circumstances. These expenses establish the minimum amount on which a taxpayer needs to live, and must be reasonable IRM 5.15.1.8, Allowable Expense Overview, and Exhibit 5.19.13-1, Questions and Answers to Assist in Financial Statement Processing.

(2) Generally, the total number of persons allowed when determining allowable living expenses should be the same as those allowed to be claimed as dependents on the taxpayer's current year income tax return. There may be reasonable exceptions. Fully document the reasonable exceptions, such as foster children or children for whom adoption is pending, or parents for whom the taxpayer is providing care in their home.

(3) ALE standards are guidelines. If it is determined a standard amount is inadequate to provide for a specific taxpayer’s basic living expenses, allow the higher expense with substantiation. All expenses allowed that exceed the National and Local Standards must be verified, reasonable and documented on AMS. Request substantiation of amounts **only** if they are going to be allowed.

**Note:** If the tax liability including projected accruals can be paid in six (6) years and within the CSED, see IRM 5.19.13.3.5, Full Payment in Six (6) Years (6 Year Rule), for further guidance.

(4) ALE standards are **not** available for international taxpayers or the U.S. Territories, except for Housing and Utilities in Puerto Rico. In the absence of standardized figures for foreign countries, a fair and consistent approach should be applied to what is allowed as living expenses for these taxpayers. Employees should not use any other non-ALE figures as pre-determined guideline figures or arbitrarily

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select any location in the United States for allowances. In those cases where there are no ALE standards or leverage to enforce collection of a balance due, the taxpayers' submission of living expenses should generally be accepted, provided they appear reasonable.

(5) International Collection Financial Standards are available for taxpayers who reside outside the United States. Use of the International Collection Financial Standards calculator is required to determine the baseline of an International taxpayer's ability to pay. The calculator is located in the Financial and Enforcement Tools book of the International Tools and Actions Knowledge Base. For additional information see IRM 5.19.19.3.1.1, International Collection Financial Analysis. Collection employees should not use other sources or arbitrarily select a location in the United States as a starting point for allowances.

**Note:** Collection employees will continue to use the Housing and Utility Standards established for taxpayers residing in Puerto Rico.

**IRM 5.19.13.3.4, Making the Collection Decision Added paragraph (3) end of Table a Note there is not a requirement to provide proof of borrowing from the taxpayer.**

(1) The analysis of the taxpayer's financial condition provides a basis for making one or more of the following decisions:

- a. Request payment in full or a partial payment based on the liquid equity in available assets,
- b. IA. See IRM 5.19.1.6.4, IAs,
- c. PPIA. See IRM 5.19.1.6.5, PPIAs,
- d. CNC. When financial analysis indicates no means of payment, see IRM 5.19.17.2, Currently not Collectible (CNC) Procedures, or
- e. OIC. For OIC information, see IRM 5.19.17.3, Offer in Compromise (OIC) Procedures.

**Reminder:** Make a **NFTL** determination if the AAB due SUMRY is \$10,000 or more. See IRM 5.19.4.5, Notice of Federal Tax Lien Determinations and Filing Criteria.

(2) Request immediate full payment if the **completed** financial statement shows the taxpayer has the ability to borrow or liquidate such as:

- The taxpayer has cash equal to the tax liability.
- The taxpayer has unencumbered assets, equity in encumbered assets, interest in estates and trusts, and lines of credit from which money may be borrowed to make payment in full.
- The taxpayer has other assets which may be pledged or readily converted to cash.
- Stocks, Certificates of Deposit, IRAs, and some 401(k) retirement plans can be liquidated or borrowed against

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- Digital Assets which includes cryptocurrency (e.g. Bitcoin, Ethereum, Ripple, and Litecoin)

**Reminder:** Also take into account interest in assets:

- Is the government's interest in assets protected?
- Will the value of assets increase or decrease?
- Will the taxpayer's interest in assets change?

**Note:** See IRM 5.19.4.6, Procedures for Filing Liens

(3) If the taxpayer has asset(s) or equity in an asset that will **only partially pay** the liability, follow the instructions in the table below:

If ...	And ...	Then ...
If the taxpayer has liquid assets (cash, CD, money market, IRA, stocks/bonds, digital assets which includes cryptocurrency (e.g. Bitcoin, Ripple, Litecoin, etc.) that will <b>partially pay</b> the liability,	Not Applicable	Ask the taxpayer to use the liquid asset(s) to partially pay the liability.
If the taxpayer has non-liquid assets that will <b>partially pay</b> the liability (if the asset was sold or the taxpayer was able to secure a loan),	The taxpayer has: <ul style="list-style-type: none"> <li>• Defaulted on a previous IA for the balance(s) due, or</li> <li>• Requested to add another period to an existing IA,</li> </ul>	Ask the taxpayer to liquidate or borrow to make the partial payment.
If the taxpayer has non-liquid assets that will <b>partially pay</b> the liability (if the asset was sold or the taxpayer was able to secure a loan),	The taxpayer has <b>not</b> : <ul style="list-style-type: none"> <li>• Defaulted on a previous IA for the balance(s) due, or</li> <li>• Requested to add another period to an existing IA,</li> </ul>	Do not ask the taxpayer to liquidate or borrow to make the partial payment.

**Note:** If the taxpayer refuses, see paragraph (9) below.

**Reminder:** IRM guidance does not require the taxpayer to provide proof of borrowing, but to determine if account meets Pending IA criteria and to proceed with most appropriate case resolution.

(4) If liquidation of any asset(s) or equity in an asset will result in full pay or a substantial partial payment, explore the option with the taxpayer unless,

- Factors such as advanced age, ill-health, or other special circumstances are determined to prevent the liquidation of the assets, and/or
- They qualify for Guaranteed, Simple Payment Plan, or Simple Payment Plan (Business Trust Fund) agreements.

**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.

(5) Before a **complete determination** can be made, **ALL** financial statement information provided by the taxpayer **must** be input to AMS. Consider whether the financial statement shows that the taxpayer has either assets to full pay or sufficient equity to borrow. AMS Financial screens perform systemic calculations to assist you with determining an accurate final case disposition. See Exhibit 5.19.13-3, AMS Financial Statement Processing.

- Base the case resolution decision on the amount of disposable household income available to apply to the tax liability.
- Gross income less allowable expenses equals disposable income.
- If expenses exceed income, ask the taxpayer for an explanation.
- **Document all case actions including any deviation from the systemic calculations on AMS. If processing cannot be completed, and a resolution determined, the documentation will be required at a future date for case resolution. Documentation will also prevent unnecessary contact with the taxpayer.**

**Note: Always "Save and Create History" for any financial information input on AMS.**

**Reminder:** If the taxpayer agrees to borrow against an asset, but can only partially pay the tax liability, the resulting loan payment is an allowable expense when calculating the taxpayer's ability to pay the remaining tax liability.

(6) See IRM 5.19.1.6.4.21, VLSP. If the taxpayer agrees to an initial Voluntary Lump Sum Payment (VLSP) reducing the AAB (CC SUMRY) to an amount fitting Simple Payment Plan IA criteria.

(7) Consider the one-year and or six (6) year rule when arriving at an appropriate amount based upon the individual taxpayer's financial information. See IRM 5.19.13.3.5, Full Payment in Six (6) Years (6 Year Rule), and IRM 5.19.13.3.6, Eliminating Excessive Expenses Within One Year.

- If the taxpayer claims conditional expenses **and meets** the six (6) year rule or the one-year rule, grant the IA.
- If the taxpayer claims conditional expenses *but does not meet* the six (6) year rule or one-year rule, request the higher payment amount determined through financial analysis. If the taxpayer does not agree, then follow Independent Review procedures. See IRM 5.19.1.6.4.9, IA Rejection Criteria.

(8) Emphasize to the taxpayer how much we expect them to pay, rather than how we expect them to spend their money:

- a. Do not inform the taxpayer they cannot own, for example, a boat or summer cabin.
- b. Tell the taxpayer they are responsible for determining what modifications or eliminations must be made to their expenses in order to pay their tax liabilities.

(9) If the taxpayer **refuses** to liquidate or borrow against assets (and the circumstances in paragraph (3) above do not apply), and the request **meets** Pending IA criteria. A pending IA is an installment that cannot be immediately input.

**Example:** The taxpayer has provided complete financial information for an IA to be considered but has not provided substantiation, when required. See IRM 5.19.1.6.4.7 (2)d, Pending IA Criteria for additional information. then follow Independent Review procedures. See IRM 5.19.1.6.4.10, Proposal to Reject IA to Independent Review.

**Exception:** If it appears the taxpayer is trying to delay collection (and the circumstances in paragraph (3) above do not apply), follow instructions in IRM 5.19.1.6.4.9, IA Rejection Criteria.

(10) If the taxpayer requests a DDIA, follow IRM 5.19.1.6.4.13, DDIA. If the taxpayer requests a PDIA, follow IRM 5.19.1.6.4.14, Form 2159, Payroll Deduction Agreement.

(11) If the financial analysis shows that the taxpayer has **no** ability to pay, but the taxpayer **requests** an IA, establish the requested NSIA or PPIA with a back up CNC.

(12) All case resolutions determined using financial statement processing to determine the taxpayer's ability to pay **require managerial approval** and **NFTL** determination, when appropriate. See IRM 5.19.13.2, Authority Levels for Financial Analysis, Verification, and Substantiation.

(13) If a determination is made **not** to file the **NFTL**, follow IRM 5.19.4.5.2, Do Not File Decisions.

(14) For additional information, see Exhibit 5.19.13-1, Questions and Answers to Assist in Financial Statement Processing.

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**IRM 5.19.13.3.5 (1), Full Payment in Six (6) Years (6 Year Rule) Updated paragraph (1) Non-Streamlined to Non-Simple Payment Plan IA.**

(1) When a taxpayer is unable to full pay immediately and a non-Simple Payment Plan IA is being considered, the taxpayer may qualify for the six (6) year rule. **All expenses may be allowed if:**

- a. The taxpayer establishes they can stay current in all tax requirements.
- b. Tax liability, including projected accruals, will be paid within six (6) years AND the liability will be full paid within the CSED.
- c. Amounts are reasonable.

**Example:** The taxpayer is currently making \$4,000 a month car payments on a \$200,000 car. Even though the tax liability will be paid within the six (6) years, the expense is not reasonable. If the additional expenses are reasonable, they may be allowed.

**Reminder:** Do not tell the taxpayer how to spend their money; it is up to the taxpayer to determine how to meet their expenses based on what their statement allows.

- d. If the financial statement shows the taxpayer cannot full pay within six years, the amounts allowed for one or more conditional expense items may be reduced so the liability can be full paid within six years, if the taxpayer concurs.
- e. Taxpayers are required to provide financial information in these cases, but do not have to provide substantiation of reasonable expenses.

**Caution:** An IA established under the six (6) year rule is an NSIA. As such, a complete financial analysis must be done prior to establishing the IA, and equity in assets must be addressed in accordance with IRM 5.19.13.3.4, Making the Collection Decision.

(2) Use IAT Compliance Suite Payment Calculator, IDRS CC ICOMP F to compute the projected accruals to ensure the six (6) year rule is met and the liability will be full paid within the CSED.

(3) If the taxpayer can pay the entire tax liability including the projected accruals within six (6) years AND within the CSED, **all** expense(s) (including minimum credit card payments) may be allowed.

- The necessary expense test of providing for a taxpayer and their family's health and welfare or the production of income is not necessary.
- Substantiation is not required. Refer to IRM 5.19.13.3.2.7(1), Conditional Expenses. See IRM 5.19.13.3.3, Asset/Income/Expense Verification and Substantiation.

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(4) Excessive necessary and non-allowable conditional expenses incurred after the assessment of the tax liability are not covered by the six (6) year rule. If you feel a taxpayer acted to reduce their ability to pay, enforcement action against the post-assessment assets or not allowing the expenses **may be appropriate**.

**Reminder:** The Six (6) Year Rule is not applicable to corporations, partnerships, Limited Liability Companies (LLC), where the LLC is identified as the liable taxpayer, or any BMF expenses. The Six (6) 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.

**Exhibit 5.19.13-1, Questions and Answers to Assist in Financial Statement Processing Updated Exhibit Answer (12) to Simple Payment Plan IA procedures.**

Questions	Answers
<b>Question 1:</b> If, as a condition of employment, a minister is to tithe, a business executive is required to contribute to a charity, or an employee is required to contribute to a pension plan, will these expenses be allowed?	<b>Answer 1:</b> Yes. The only thing to consider is whether the amount being contributed equals the amount actually required and does not include a voluntary portion.
<b>Question 2:</b> A taxpayer has a child in a university. They already paid the university \$25,000 for tuition and housing for the school year and they intend to pay another \$25,000 next July for the following school year. Should this expense be allowed?	<b>Answer 2:</b> Yes, if the taxpayer can pay the liability plus accruals within six years, and prior to the CSED. Otherwise, the expense will not be allowable. The taxpayer may be eligible for an allowable expense to cover the child's enrollment at a local college if the reduced education expense could make it possible for the taxpayer to take advantage of the six-year rule. When an expense is not allowed the taxpayer is responsible for deciding what expense modifications or eliminations are needed to pay the tax liability.
<b>Question 3:</b> A taxpayer is living in an apartment which rents for \$2,000 per month. The lease has another six months to run. The lease agreement includes a termination penalty equal to the lesser of two months rent or the monthly rent due for the balance of the lease. The taxpayer has a \$500 security deposit. Local rental data indicated that an acceptable rental apartment in the same general neighborhood can be rented to house the	<b>Answer 3:</b> Since breaking the lease would cost more than keeping it until expiration, an IA may be granted which allows the taxpayer to live in their present quarters for the balance of the lease but which requires an increase of \$500 in the seventh month.

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Questions	Answers
<p>family at a cost of \$1,500 per month. The taxpayer cannot full pay within six years. Should the taxpayer be required to move to cheaper living quarters as a condition of an IA?</p>	
<p><b>Question 4:</b> A taxpayer is a commissioned sales person living in a home with a \$3,000 monthly mortgage. The property was purchased in 2002 at the peak of the local real estate market and has lost approximately 25% of its value in that time due to local market declines. The present value is approximately equal to the mortgage balance. A single family home of a size adequate to house the family is available in a middle class neighborhood convenient to work and schools for \$1,800 per month, including utilities. If the taxpayer remains in their home, income and expenses are approximately equal, leaving no disposable income to apply to the delinquent federal taxes. Should the account be reported CNC?</p>	<p><b>Answer 4:</b> Maybe. The difference between the cost of renting and owning indicates that a significant payment can be made if the residence were sold; however, the loss of equity, as well as the costs of sale and moving should be considered. Options for resolution may include:</p> <ul style="list-style-type: none"> <li>• Recommending the taxpayer try to restructure their mortgage to reduce the monthly payment,</li> <li>• Asking the taxpayer to sell the property if there is adequate equity for the taxpayer to pay the mortgage, costs of sale and moving costs,</li> <li>• Securing an IA for a minimal amount until the taxpayer can adjust expenses (See IRM 5.19.1.6.6, Manually Monitored Installment Agreements, MMIA, or</li> <li>• Recommending the account be reported CNC with a mandatory follow-up if property values are expected to increase.</li> </ul>
<p><b>Question 5:</b> A taxpayer claims that they need more for food than the amount provided by the National Standards because they have five teenage children. Can they get an increased amount?</p>	<p><b>Answer 5:</b> Yes, if they can fully pay the tax liability plus accruals within six years, and prior to the CSED. Otherwise, they have to substantiate and justify the higher food expenses included within the National Standards. They would still be allowed the standard amounts for housekeeping supplies, apparel and services, personal care products and miscellaneous.</p>
<p><b>Question 6:</b> Should a self-employed taxpayer who is currently making contributions to an Individual Retirement Account (IRA) be allowed to continue the contributions if it will take seven years for them to fully pay the tax liabilities?</p>	<p><b>Answer 6:</b> The IRA payments would not be listed on Form 433-F as an allowable expense. Advise the taxpayer that if they wish to continue making IRA payments, they must divert the money from allowed</p>

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	expenses, or use the amount allowed for miscellaneous expenses.
<p><b>Question 7:</b> A married couple owes a joint tax liability. They have submitted a Form 433-F, Collection/Information Statement. The financial analysis indicates that it will take a four-year IA to fully pay the tax liability. The primary spouse is a truck driver who is responsible for their own food and lodging expenses on the road. They usually pay as they goes with a personal credit card. They request that this monthly payment be allowed. Should this expense be allowed?</p>	<p><b>Answer 7:</b> The expenses for food and lodging are allowed as business expenses. These expenses should not appear on the personal expense section of 433-F, Collection/Information Statement. The business expenses would have already been deducted from business income to arrive at personal income. How the expenses are paid, cash or credit card, do not change the financial analysis. If the taxpayer needs to pay an additional amount on their credit card, they should be told that the IRS includes a monthly Miscellaneous allowance under the National Standards to be used for any expenses not included as allowable in the determination of ability to pay.</p>
<p><b>Question 8:</b> A taxpayer completed a CIS which indicates that they can fully pay the liability plus accruals within six years. Since the assessment of the tax liability, they purchased a car for personal use, which has increased their expenses by \$2,000 a month. Should the provisions of the six-year or the one-year rule apply?</p>	<p><b>Answer 8:</b> If it appears the taxpayer was aware of the tax liability and still committed part of their disposable income to excessive or conditional expenses, the IRS is not obligated to allow these expenses even though the liability could be fully paid within six years. The excessive car payment would not be an allowable expense. Allow the standard amount for ownership costs on the CIS.</p>
<p><b>Question 9:</b> A taxpayer is starting the second year of two-year lease for a luxury car. Car payments are \$1,200 a month. Should the taxpayer be allowed this expense?</p>	<p><b>Answer 9:</b> Maybe. The taxpayer must justify the expenses in excess of the local transportation standards. There are rare exceptions where an occupation may require a luxury car. The type of car can also depend on the location. A real estate agent will probably drive a more expensive car if they are working a suburb with very expensive homes rather than a middle class suburb. If the taxpayer could be expected to drive a more reasonably priced car, then steps should be taken to eliminate the expense. Ask the taxpayer what the penalty would be to return the car to the dealer. With only one year left on the contract, the penalty may or may not be negligible compared to the amount the IRS could receive if the taxpayer</p>

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	leased a moderately-priced car. If the car payment of \$1,200 is allowed, the IA amount should be increased when the lease is scheduled to expire in one year.
<b>Question 10:</b> A taxpayer has a child in a parochial school. Should the taxpayer be allowed this expense?	<b>Answer 10:</b> Yes, if the taxpayer can pay the liability plus accruals within six years, and prior to the CSED. Otherwise, the expense will be allowed only if it is for a child with a disability and no public education providing similar services is available. If the expense is not to be included among allowable expenses, tell the taxpayer that they are responsible for deciding what expense modifications or eliminations are needed to pay the tax liability.
<b>Question 11:</b> Because of budget constraints, a public school district has begun charging fees for certain services which were previously provided for free. Should a taxpayer be allowed the expense of paying these fees?	<b>Answer 11:</b> Yes, if the fees are required of all children in the school district. Fees for optional services, such as music lessons, are allowable if the tax liability including projected accruals will be paid within six years.
<b>Question 12:</b> An area has an arrangement with Consumer Credit Counseling Services (CCCS) in which CCCS submits IA proposals on behalf of the taxpayer. Are these cases subject to the allowable expense procedures?	<b>Answer 12:</b> Yes, unless the agreement falls under the Simple Payment Plan IA procedures. Any IA in which financial analysis is required will be subject to the allowable expense guidelines. The area office must share allowable expense procedures with CCCS.