



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.14.1

MARCH 31, 2023

EFFECTIVE DATE

(03-31-2023)

PURPOSE

- (1) This transmits revised IRM 5.14.1, Installment Agreements, Securing Installment Agreements.

MATERIAL CHANGES

- (1) Refer to the table below for details on the list of material changes in this IRM.

IRM Subsection	Description of Change
IRM 5.14.1.1.7	Added an acronym.
IRM 5.14.1.2	Modified the reminder note in paragraph (3) to include the number of defaults needed when determining if the IA proposal is intended "Solely to Delay."
IRM 5.14.1.2	Updated paragraph (7) to address the maximum penalty is capped at 25% of the aggregate amount of unpaid tax.
IRM 5.14.1.2	Revised the note under paragraph (7)d to detail the method for determining penalties in the event that the IA is either active or terminated.
IRM 5.14.1.2	Added a note to paragraph (11) to ensure taxpayers are aware of how user fees are deducted on IAs.
IRM 5.14.1.3	Removed the note to paragraph (7) to eliminate the confusion on when pyramiding taxpayers are identified as pending IA.
IRM 5.14.1.3	Added a new term in the table examples to reference the Document Upload Tool (DUT).
IRM 5.14.1.4	Inserted a note under paragraph (5) to not ask the taxpayer to liquidate or borrow against assets if the situation is going to cause economic hardship.

IRM Subsection	Description of Change
IRM 5.14.1.4	Inserted a note in the table under paragraph (5) to show that the life insurance policyholder could sell an existing life insurance policy in the secondary market. The sale of a policy in the secondary market may yield a higher cash surrender value.
IRM 5.14.1.4	Clarified the example in paragraph (5) to consider the IA request if the loan application is denied.
IRM 5.14.1.4	Restructured the first bullet in paragraph (7) to consider closing the account as CNC and encourage the taxpayer to make payments while in CNC. Added a note to the first bullet to consider the option of OIC if the taxpayer's financial condition shows no ability to pay. Restructured the second bullet to allow IA if the payments will fully pay within the statute and prepare a backup 53 in the event the IA defaults or terminates.
Throughout	Replaced the words "he" and "his" with gender-neutral language.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 5.14.1 dated December 23, 2022.

AUDIENCE

SB/SE Collection employees

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Small Business/Self-Employed

5.14.1

Securing Installment Agreements

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5.14.1.1
(12-23-2022)
Program Scope and Objectives

- (1) **Purpose:** This section discusses the overall installment agreement (IA) process and considerations for whether to accept or reject an IA proposal. While many topics are touched upon in this section, comprehensive guidance about all of them cannot be included here. As you use this section, remain alert for references to other resources, such as related IRMs and websites. Access that guidance as needed to ensure a thorough understanding of topics. This IRM provides guidance, and you will be able to:
 - a. Identify taxpayer rights with respect to IAs.
 - b. Prescribe pending IA criteria and when to input pending status to IDRS.
 - c. Discuss considerations with respect to the acceptance and/or rejection of IAs.
 - d. Describe compliance requirements and Notice of Federal Tax Lien considerations when granting IAs.
 - e. Establish processing procedures for completed IAs.
 - f. Discuss restrictions on levies during the IA process.
- (2) **Audience:** These procedures and guidelines apply to IRS Field Collection revenue officers and group managers.
- (3) **Policy Owner:** Director, Collection Policy is the policy owner of this IRM.
- (4) **Program Owner:** Collection Policy, Case Resolution Alternatives (CRA) is the program owner of this IRM.
- (5) **Primary Stakeholders:**
 - Field Collection
 - Independent Administrative Review (IAR)
 - Insolvency
 - Appeals
 - Taxpayer Advocate Service
- (6) **Program Goals:** IAs can be a viable case resolution for many delinquent accounts. By following the direction in this IRM section, employees can ensure that they afford taxpayers the rights to which they are entitled by properly identifying and processing pending IA proposals, and make the correct determination as to whether to accept or reject the taxpayer's IA proposal based on the facts and circumstances of each case.

5.14.1.1.1
(09-22-2021)
Background

- (1) IAs are arrangements by which the Internal Revenue Service allows taxpayers to pay liabilities over time. Taxpayers should be encouraged to pay the liability in full to avoid the costs of an IA, which include a user fee, accrual of penalties and interest, and the possible filing of a Notice of Federal Tax Lien (NFTL). If full payment cannot be achieved by the Collection Statute Expiration Date (CSED), and taxpayers have some ability to pay, Partial Payment Installment Agreements (PPIAs) may be granted. During the course of agreements, penalties and interest continue to accrue. Generally, no levy may be made while the IA is pending, for 30 days after the rejection of the IA, while the Independent Office of Appeals is considering a timely rejection or termination, while an IA is in effect, and for 30 days after the termination of an IA.

5.14.1.1.2
(09-22-2021)
Authority

- (1) IRC 6159, Agreements for Payment of Tax Liability in Installments.

5.14.1.1.3
(12-23-2022)
Responsibilities

- (2) IRC 6331(k), Levy and Dstraint, No levy while certain offers pending or installment agreement pending or in effect.

5.14.1.1.4
(12-23-2022)
Program Management and Review

- (1) The Director, Collection Policy, is the executive responsible for the policies and procedures to be employed by collection personnel.
- (2) The program manager, Case Resolution Alternatives (CRA), is responsible for developing and delivering policies, procedures and practices within the IA program.
- (3) Field collection group managers and territory managers are responsible for ensuring the guidance and procedures described in this IRM are complied with.
- (4) Collection employees are responsible for following the guidance provided in the IRM when processing cases.

- (1) **Program Reports:**
 - a. Monthly IA Trend Report. Sourced from the Collection Activity Report (CAR), Case Resolution Alternative (CRA) generates and reviews a monthly IA trend report that captures data on the various types of IAs and compares year-over-year data on IA inventory levels, the number of IAs initiated, default rates, full pay rates, and dollars collected. Any anomalies are identified and researched for potential causes. Negative trends are identified, and causes are addressed.
- (2) **Program Reviews:**
 - a. CRA will conduct ad hoc IA program reviews as necessary to verify compliance with IRM requirements, address TIGTA/GAO findings and evaluate trends that appear.
 - b. Case reviews are conducted by group managers to ensure compliance with this IRM.
 - c. Group managers, leads, and on-the-job instructors (OJIs) use the Embedded Quality Review System (EQRS). EQRS is used to evaluate employee performance and provide feedback. National Quality reviewers use the National Quality Review System (NQRS). NQRS ensures compliance with this IRM. NQRS data is used to report the official organizational business-quality results. The Data Collection Instrument (DCI) is used to capture case reviews for both EQRS and NQRS.
 - d. Operational reviews are conducted by the territory manager and area director annually to evaluate program delivery and conformance to administrative and compliance requirements.

5.14.1.1.5
(12-23-2022)
Program Controls

- (1) Determinations that an IA request was made solely to delay collection require managerial approval.
- (2) Independent Administrative Review (IAR) is required when a proposed rejection occurs. The taxpayer may administratively appeal a termination, modification, or rejection of a proposed IA to the IRS Independent Office of Appeals.
- (3) The Integrated Collection System (ICS) is a case management system that supports SBSE revenue officers (ROs) in working delinquent tax cases. In

every case, the file must show that the disposition method selected is consistent with the facts and circumstances outlined in the case, the IRM, and other official guidance. Certain actions taken by ICS users generate systemic approval requests to the manager. All Non-Streamlined Installment Agreement (NSIA) case dispositions require managerial approval (except Guaranteed IAs.)

- (4) The Integrated Data Retrieval System (IDRS) is used to monitor most IAs for timely payments on accounts, as well as to determine whether taxpayers remain in compliance with filing and paying requirements. IDRS programming also requires that all open balance due modules on IDRS in a notice or collection status are included when an IA is input.
- (5) Collection group managers are responsible for the quality of work performed by the employees they supervise in accordance with IRM 5.13.1, Collection Quality Measurement, Embedded Quality Collection Field Organizations Administrative Guidelines. Managers are required to follow program management procedures and controls addressed in IRM 1.4.50, Resources Guide for Managers, Collection Group Manager, Territory Manager and Area Director Operational Aid.

5.14.1.1.6 (12-23-2022) Terms

- (1) Frequently used terms in this IRM, along with their definitions, include:
 - Delinquent Taxes: balance due (BAL DUE), Automated Collection System (ACS) balance due accounts and/or notice status accounts;
 - Accrued Taxes: unassessed amounts due on returns, missed estimated tax payments or undeposited FTDs as of the date of contact; and
 - Current Taxes: federal tax deposits (FTDs) and estimated (ES) tax payments that become due after the date of contact.

5.14.1.1.7 (03-31-2023) Acronyms

- (1) This table lists commonly used acronyms and their definitions:

Acronym	Definition
AC	Action Code
ACA	Affordable Care Act
ACS	Automated Collection System
AO	Area Office
ALN	Agreement Locator Number
BAL DUE	Balance Due
BMF	Business Master File
CAP	Collection Appeals Program
CAR	Collection Activity Report
CRA	Case Resolution Alternatives
CC	Command Code
CCP	Centralized Case Processing (Collection)
CLO	Centralized Lien Operation

Acronym	Definition
CDP	Collection Due Process
CIS	Collection Information Statement
CLO	Centralized Lien Operation
CNC	Currently Not Collectible
CP	Computer Paragraph
CSED	Collection Statute Expiration Date
CSCO	Compliance Service Collection Operation
DCI	Data Collection Instrument
DDIA	Direct Debit Installment Agreement
DUT	Document Upload Tool
EIN	Employer Identification Number
EFTPS	Electronic Federal Tax Payment System
EQRS	Embedded Quality Review System
ES	Estimated Tax
FTD	Federal Tax Deposit
FTP	Failure to Pay
GAO	Government Accountability Office
IA	Installment Agreement
IAR	Independent Administrative Reviewer
IBTF	In-Business Trust Fund
IAAL	Installment Agreement Accounts List
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
LLC	Limited Liability Company
NFTL	Notice of Federal Tax Lien
NQRS	National Quality Review System
NSIA	Non-Streamlined Installment Agreement
OIC	Offer-in-Compromise
OJI	On the Job Instructor
PPIA	Partial Payment Installment Agreement

Acronym	Definition
RO	Revenue Officer
SLIAC	Streamlined Installment Agreement Calculator
SRP	Shared Responsibility Payment
SSN	Social Security Number
TAS	Taxpayer Advocate Service
TBOR	Taxpayer Bill of Rights
TC	Transaction Code
TDI	Tax Delinquent Investigation
TIN	Taxpayer Identification Number
TIGTA	Treasury Inspector General of Tax Administration
TP	Taxpayer

5.14.1.1.8
(03-31-2023)

Related Resources

(1) IRM Resources:

- Procedural guidance regarding Installment Agreements can be found throughout IRM 5.14, Installment Agreements
- IRM 4.20.1.4, Examination Collectibility Procedures - Installment Agreements
- IRM 5.19.1.2.6.3, Installment Agreements, for Accounts Management, Field Assistance, ACS, ACSS and CSCO Collectibility Procedures
- IRM 8.22.7.5, Appeals Officers and Appeals Team Managers Collectibility Procedures - Installment Agreements (IA)
- IRM 5.14.1.6, Multi-functional Installment Agreements, contains guidance for other functions

(2) Web Resources:

- Centralized Field Support Knowledge Base Homepage: <https://portal.ds.irsnet.gov/sites/vl130/pages/default.aspx>
- ICS User Guide: <https://portal.ds.irsnet.gov/sites/vl123/lists/integrated%20collection%20system%20ics/landingview.aspx>
- Integrated Automation Technologies: <https://organization.ds.irsnet.gov/sites/WiMttlat/home/default.aspx>
- Installment Agreements Knowledge Base Homepage: <https://portal.ds.irsnet.gov/sites/vl065/pages/default.aspx>

- (3) The IRS adopted the Taxpayer Bill of Rights (TBOR) in June 2014. The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights> and IRM 1.2.1.2.36, Policy Statement 1-236.

5.14.1.2
(03-31-2023)**Installment Agreements
and Taxpayer Rights**

- (1) Demand full payment or partial payment of the balance due if the taxpayers have the means to pay from income or equity in assets. Encourage the taxpayers to pay the tax liability as quickly as possible.
- (2) If the taxpayers qualify for a Guaranteed, Streamlined, or In Business Trust Fund Express agreement, and request such an agreement, even if the taxpayers can pay the liability in full (see IRM 5.14.5, Streamlined, Guaranteed, and In-Business Trust Fund Express Installment Agreements), the request will be granted.
- (3) If they do not qualify for Guaranteed, Streamlined or Express processing, secure a complete Collection Information Statement (CIS). See IRM 5.1.10.3.2, Effective Initial Contact.

Reminder: Case circumstances may exist where granting the IA would not be in the government's best interest, such as when a taxpayer has defaulted on one or more prior IAs. The RO should make a determination as to whether the IA proposal is "Solely to Delay" based on the facts and circumstances of each case. Refer to IRM 5.14.3.3(3)d, Installment Agreement Requests Made to Delay Collection Action, when the request is made by a taxpayer that has defaulted on one or more prior IAs.

- (4) Taxpayers with aggregate individual income tax liabilities of \$10,000 or less (excluding penalties, interest, and additions) may qualify for guaranteed IAs if the taxpayers meet all requirements. See IRM 5.14.5.3, Guaranteed Installment Agreements, for additional information. Taxpayers with an aggregate unpaid balance of assessment (the CC SUMRY balance) equal to \$50,000 or less may qualify for Streamlined Agreements. The unpaid balance of assessment includes tax and assessed interest and penalties. It does not include accrued interest and penalty. See IRM 5.14.5.2, Streamlined Installment Agreements, for additional information.
- (5) There are various methods for making monthly installment agreement payments.

Note: When establishing a Direct Debit Installment Agreement (DDIA), because it typically takes more than 30 days from the approval of the DDIA before the first payment is debited, encourage the taxpayer to go to <https://www.irs.gov/payments> to make a voluntary interim payment.

- (6) Encourage the taxpayers to use one of the following electronic or credit card methods of payment rather than check or money order:
 - a. Electronic Federal Tax Payment System (EFTPS) – taxpayers will select the "payment-due with IRS notice" payment type for posting to Master file with a Transaction Code (TC) 670. EFTPS has the ability to schedule payments up to 12 months in advance for individual taxpayers and up to 4 months in advance for business taxpayers. The taxpayer must initiate payments by sending instructions to EFTPS. See IRM 21.7.1.4.8.1, Electronic Federal Tax Payment System (EFTPS), for complete instructions.
 - b. Direct Debit installment agreements - If the taxpayers maintain a checking account, you should encourage them to take advantage of the direct debit installment agreement. See IRM 5.14.10.4, Direct Debit Installment Agreements, for Direct Debit procedures.

- c. Payroll Deduction installment agreements - If the taxpayers will not agree to a direct debit installment agreement, encourage them to take advantage of the payroll deduction agreement. See IRM 5.14.10.2, Payroll Deduction Agreements, for Payroll Deduction procedures.
 - d. Credit Card installment agreement payment, see IRM 21.2.1.48.4, Payment by Credit Card, Debit Card or Digital Wallet (General), for procedures for paying by credit card.
 - e. Payment by check or money order - If payments are made by check, they should be payable to: "US Treasury". However, checks made out to "Internal Revenue Service" or "IRS" will be processed.
 - f. Direct Pay is a free service that allows taxpayers to make electronic payments directly to the IRS from their checking or savings accounts. See IRM 21.2.1.48.2, IRS Direct Pay, for further information.
- (7) Certain taxpayers who enter into IAs and file timely will have the failure to pay penalty reduced from a half to a quarter percent per month for any month in which an installment agreement is in effect until the 25% maximum aggregate rate is reached. (IRM 5.14.1.3 describes necessary inputs for TC 971 action codes.) Input of TC 971 AC 063 reduces failure to pay penalty from one half (0.5) to one quarter (0.25) percent per month if all of the following conditions are met:
- a. The IA was entered into on or after January 1, 2000.
 - b. The balances are due from an individual (whether IMF or BMF, due on income, employment or excise tax returns).
 - c. The tax return(s) was timely filed, including extensions.
 - d. No CP 504, LT11, or Letter 1058 was sent (indicated by a TC 971 AC 069), increasing the failure to pay penalty from one-half (0.5) to one (1) percent.
- Note:** If agreements are terminated, penalties increase to one-half (0.50) percent. The input of TC 971 AC 163 will increase the penalty rate from one-quarter (.25) percent to one-half (.50) percent. The penalty rate is not recalculated for the months during which the IA was active. For more information on the reduced penalty rate, refer to IRM 20.1.2.3.8.1.2, 1/4 Percent Penalty Rate - IRC 6651(h).
- Note:** Payments on the balance are applied to the tax first, then any penalty, then interest.
- (8) See IRM 5.14.7.5, Payments on Trust Fund Accounts During Approved In-Business Trust Fund Installment Agreements, paragraph (1)(a) — (d), regarding designation of payments during IAs.
- (9) On February 9, 2018, the President signed into law the Bipartisan Budget Act (BBA) of 2018. The Act amended IRC 6159 to provide certain limitations to IA user fees. The Act's amendments to IRC 6159 apply to IAs entered into on or after April 10, 2018.
- User fees for IAs may not exceed the amount of such fee as in effect on February 9, 2018.
 - IA user fees will be waived for low-income taxpayers who agree to make electronic payments through a debit instrument.

Note: At this point, the only mechanism the IRS has in place in which the taxpayer may agree to make electronic payments is through a debit instrument is a DDIA.

Note: CC IAGRE has been programmed to waive the user fee on a DDIA when the taxpayer meets the low-income threshold.

- IA user fees will be reimbursed to low-income taxpayers that are unable to make electronic payments through a debit instrument upon completion of the IA.

Note: See IRC 6159(f) to review the full text.

- For IA user fee purposes, taxpayers are low-income if their adjusted gross income (AGI) for the most recent year is at or below 250 percent of the Federal Health & Human Services Guidelines (FHHSB).

- (10) The purpose of an IA user fee is for the IRS to recover the costs of administering the IA program. 31 United States Code (USC) 9701 - as interpreted by the Office of Management and Budget (OMB) Circular No. A-25 - provides the authority for the imposition of user fees. User fees are imposed for services pertaining to the entering into and the restructuring or reinstating of an installment agreement. See 26 CFR 300.1 , Installment agreement fee and 26 CFR 300.2 , Restructuring or reinstatement of installment agreement fee.

Current User Fee Rates:

From	Through	Current User Fee Rates
April 10, 2018	Present	<p>a. Origination Fee: Manual:</p> <ul style="list-style-type: none"> Low-income non-DDIA (regular IA) origination fee of \$43 entered into on or after 4/10/2018 may be reimbursed if certain conditions apply Low-income DDIA origination fee entered into on or after 4/10/2018 - \$0 DDIA origination \$107 Regular IA origination - \$225 <p>b. On-Line Payment Agreement (OPA)</p> <ul style="list-style-type: none"> OPA Low-Income Non-DDIA (regular IA) origination fee of \$43 entered into on or after 4/10/2018 may be reimbursed if certain conditions apply OPA Low-Income DDIA origination for DDIAs entered into on or after 4/10/2018 - \$0 OPA Regular origination - \$130 OPA DDIA origination - \$31 <p>Note: Taxpayers must establish their IA through OPA to be eligible for the OPA user fees shown above.</p> <p>c. Reinstatement/Restructuring user fee:</p> <ul style="list-style-type: none"> Low-income Non-DDIA (regular IA) reinstatement/restructuring fee of \$43 entered into on or after 4/10/2018 may be reimbursed if certain conditions apply Low-income DDIA reinstatement/restructuring for DDIAs entered into on or after 4/10/2018 - \$0 All other reinstatement/restructuring - \$89

- (11) Individual taxpayers qualified as low-income (for purposes of the IA user fees) get a reduced fee of \$43. This \$43 low-income fee may be waived or reimbursed if certain conditions are met. The low-income fee of \$43 may be charged to taxpayers based on the Reduced User Fee Indicator (RUF) on Master File, as indicated by a RUF>1. Advise the taxpayers that they are low-income, for IA user fee purposes, if their adjusted gross income (AGI), as reported on their most recently filed tax return, that is at or below 250 percent of the FHHSG, the user fee will be reduced. Advise the taxpayers that if they feel that their AGI would qualify them for low-income status, they may apply using Form 13844, Application For Reduced User Fee For Installment Agreements, available at www.irs.gov or by phone at 1-800-829-3676. Low-income status for IA user fees applies only to individuals (not partnerships or corporations). Taxpayers will be informed of their right to apply for low-income status in the installment agreement acceptance letter. Inform taxpayers that Form 13844 must be submitted within 30 days of the date on the IA acceptance letter. The

contact employee will not make the determination of whether taxpayers qualify for low-income status; that determination will be made when the Form 13844, Application For Reduced User Fee For Installment Agreements, is processed and validated. Once the IRS determines that taxpayers qualify as low-income, any amount of the fee collected in excess of \$43 will be credited against taxpayers' Internal Revenue Code liabilities and thereby will reduce the amount of interest and penalties that might otherwise accrue.

Note: Advise taxpayers that the IA user fee is due with the first payment in the amount of the agreed upon monthly payment or the IA fee, whichever is greater.

(12) When discussing IAs, inform taxpayers that:

- a. Penalties and interest continue to accrue on unpaid liabilities. Provide taxpayers with current percentage amounts and interest rates. If taxpayers request further information regarding penalties and interest, IRM 20.1, Penalty Handbook, provides rates for IRC 6651(a)(1), "failure to file" and IRC 6651(a)(2), "failure to pay" additions to tax. SERP website provides interest rates and tables: *SERP - Interest Rates*.
- b. A Notice of Federal Tax Lien (NFTL) may be filed in certain circumstances. IRM 5.14.1.4.3, Notice of Federal Tax Lien and Installment Agreements, provides instructions on determining when to file a request for an NFTL.

Note: The NFTL will not be filed on any individual shared responsibility payment (SRP) liabilities (MFT 35/Mirrored MFT 65) under the Affordable Care Act (ACA).

- c. There is the possibility of a levy if the agreement is terminated.

Note: A levy will not be issued on any individual shared responsibility payment liabilities (MFT 35/Mirrored MFT 65) under the Affordable Care Act.

- d. Current returns for taxes must be filed and current deposits paid before an IA can be approved and the taxpayer must remain tax compliant for the entire term of the IA, or they will default on the agreement. If applicable, remind the taxpayer of the obligation to make estimated tax payments to avoid accruing new tax liabilities, that would default their agreement.
- e. Federal tax refunds will be offset to pay any overdue balances. See IRM 5.14.1.4.2(19)e; and,
- f. Taxpayers have the right to appeal proposed terminations of IAs, terminations of IAs, proposed rejection of IAs or rejection of IAs. Refer to IRM 5.14.9, Routine and Manually Monitored Installment Agreements Dispositions, Independent Review and Appeals, when considering terminating an IA.
- g. The CSED will be suspended while the IA is pending, for 30 days following the rejection or termination of an IA, and for the period that Appeals is considering the rejection or termination of an IA.

(13) In accordance with the law, each year the IRS mails Computer Paragraph CP 89 and CP 289 , "Annual Installment Agreement Statement," to every IA taxpayer. The statement provides:

- The dollar amount of the beginning account balance(s) due

- An itemized listing of payments
- An itemized listing of penalties, interest and other charges
- The dollar amount of ending account balance(s) due

- (14) IRC 6502(a)(2)(A) provides that statutory periods for collection may be extended in connection with granting IAs. However, it is the policy of the IRS that CSED extensions are permitted only in conjunction with Partial Payment Installment Agreements (PPIAs) and only in certain situations. See IRM 5.14.2.2.3, Waiver Procedures for Partial Payment Installment Agreements.

5.14.1.3 (03-31-2023) Identifying Pending, Approved and Rejected Installment Agreement Proposals on IDRS

- (1) Proposals to enter into IAs may result from letters, phone contacts, voice mail, e-mail, or other communications between taxpayers and IRS personnel. If proposals to enter into IAs are received by e-mail, do not respond by e-mail. E-mail responses violate the IRS Security Policy. In addition, do not solicit e-mails from taxpayers regarding IAs, or other tax collection or examination issues. All taxpayers have the right to request IAs. Requests for IAs, including those on unassessed/pre-assessed modules, will be noted in the ICS case history, and must be identified on IDRS within 24 hours.

Exception: Do not input a pending IA (TC 971 AC 043) when the module is status 72 (litigation) or there is already a pending IA (TC 971 AC 043) present on the tax module(s) that is not followed by a reversal (TC 972 AC 043) or an established IA (TC 971 AC 063).

Note: IAs that include only assessments for individual shared responsibility payment liabilities under the Affordable Care Act (MFT 35/Mirrored MFT 65) do not need to be identified as pending.

- (2) The following transaction codes (TC) and Action Codes (AC) will be used:
- Pending agreements: TC 971 AC 043 — for requests not immediately approved
 - Approved agreements: TC 971 AC 063 — for immediately approved requests
- (3) These inputs must be made within 24 hours of the request for, and identification of, IAs or pending agreements. These codes prevent enforcement (levy) actions. See IRM 5.14.1.5, Levy Restrictions and Installment Agreements. The inputs must be generated for the appropriate periods using the ICS application by selecting the "COLLECTION ACTIVITIES" menu from the Case Summary screen; then selecting "INSTALLMENT AGREEMENT"; and then selecting the proper code for input (either "GENERATE TC971/972 AC043" or "GENERATE TC971 AC063").

Note: If the IA will be input immediately (i.e., a Streamlined or IBTF Express IA), do not request input of the TC 971 AC 043.

Note: Do not input an additional TC 971 AC 043 if there is already an unreversed TC 971 AC 043 on the tax module (A TC 971 AC 043 can be reversed by either a TC 972 AC 043 or a TC 971 AC 063.) Refer to IRM 5.14.1.3.1(1)(f) to determine if a reversal of a prior TC 971 AC 043 is necessary before inputting another TC 971 AC 043 for a new pending IA. Also, see IRM 5.14.1.3.1(1), Cases Received From ACS or campuses, for more information.

- (4) In order for the IRS to process an IA request (to identify a **pending** IA), the taxpayer must provide specific information. Also, if the information in (a) through (d) below is provided, but it is determined that the agreement request was made to delay collection action, accounts should **not** be identified as being in pending IA status. See IRM 5.14.3.3, Installment Agreement Requests Made to Delay Collection Action. To identify accounts as pending IAs, taxpayers must:
- Provide information sufficient to identify the taxpayer: generally, the taxpayer's name and taxpayer identification number (TIN). If a taxpayer furnishes a name, but no TIN, and the taxpayer's identity can be determined, then pending status should be identified.
 - Identify the tax liability to be covered by the agreement.
 - Propose a monthly or other periodic payment of a *specific* amount.
 - Be in compliance with filing requirements, see IRM 5.14.1.4.2, Compliance and Installment Agreements.

Note: If requesting a delinquent return(s) from the taxpayer, advise the taxpayer that they **do not** have a pending IA and that they will have to make a subsequent IA proposal and meet all of the pending IA requirements at that time in order to establish a pending IA (and the need for the input of a TC 971 AC 043).

Note: If the RO secures an unpaid return from the taxpayer and creates a balance due module (pre-assessed) on ICS and the taxpayer wants to include the created balance due return in an IA proposal and meets all of the pending IA requirements at that time to establish a pending IA, request input immediately (within 24 hours.)

Note: Restitution Based Assessment (RBA) modules do not qualify for pending IA, if the proposed payment will not fully satisfy the RBAs by the CSED. See IRM 5.14.4.6, Establishing Installment Agreements on Restitution Based Assessments and related Civil Assessments - Overview.

Note: The IRS may not accept IA proposals when they are not considered processable (unless the IA request meets Guaranteed IA criteria; see IRM 5.14.5.3, Guaranteed Installment Agreements). An IA is not considered to be "pending" until it has been accepted for processing. See 26 CFR 301.6159-1(b)(2). This means that the taxpayer is not already pursuing another case resolution alternative. If so, an IA request is not processable, and it is **not** a "pending" IA request.

- (5) A request for an IA on post-petition liabilities is non-processable when a taxpayer is in bankruptcy. See IRM 5.9.4.20.1, IA Requests For Post-Petition Liabilities Submitted During Bankruptcy.

Note: When the taxpayers are in bankruptcy, post-petition IA requests submitted by taxpayers who had a pre-petition IA are also considered non-processable. The taxpayer may not be granted a post-petition IA, nor is the taxpayer eligible to have the pre-petition IA reinstated while the taxpayer is in bankruptcy. These cases would be worked by Insolvency. In the event that your case meets these conditions, contact the field insolvency mailbox (*mailto:*SBSE Field Insolvency*) for the next appropriate case action.

- (6) A request for an IA on OIC liabilities is non-processable. See IRM 5.19.1.3.5(13), For Other Account Issues Requiring Referrals or Redirect, and IRM 5.8.1, Offer in Compromise (OIC) Procedures.

Caution: Identify if there is a pending IA (TC 971 AC 043) already present on the tax period(s) to be covered by the IA. (A TC 971 AC 043 can be reversed by either a TC 972 AC 043 or a TC 971 AC 063). If there is a pending IA already present, determine if it is still applicable or requires a reversing transaction. **Do not** input an additional TC 971 AC 043 to a pending IA module (unreversed TC 971 AC 043 already present).

- (7) Requests that meet the criteria in IRM 5.14.1.3, Identifying Pending, Approved, and Rejected Installment Agreement Proposals on IDRS, paragraphs (4)(a) through (d), on IDRS will be identified as pending IAs even if taxpayers are not in compliance with:

- Estimated (ES) payment requirements; or
- Federal tax deposit (FTD) requirements,

unless the procedures in IRM 5.14.3.3, Installment Agreement Requests Made to Delay Collection Action apply.

- (8) If a taxpayer does not provide all of the information in IRM 5.14.1.3, Identifying Pending, Approved, and Rejected Installment Agreement Proposals on IDRS paragraphs (4)(a) through (d), ask the taxpayer for the missing information. For example, if no payment amount is specified, ask how much can be paid per month. A monthly payment *amount* must be specified for the account to be marked “pending”. Advise the taxpayer that the IA will not be considered pending until the information is received to perfect the IA request, and explain the potential consequences for failing to meet the deadline for the actions necessary to perfect the IA request.

- (9) Acceptance or rejection of proposed agreements is based on analysis of Collection Information Statements. See IRM 5.14.1.4, Installment Agreement Acceptance and Rejection Determinations.

Exception: (1) If IA requests are made to delay collection action, see IRM 5.14.3.3, Installment Agreement Requests Made to Delay Collection Action.

Exception: (2) Grant Streamlined, Guaranteed and In-Business Trust Fund Express installment agreements based on the criteria in IRM 5.14.5, Streamlined, Guaranteed and In-Business Trust Fund Express IAs.

- (10) The following TCs and ACs will be input on ALL taxpayer modules containing TC 971 AC 043 to indicate acceptance or rejection of proposed agreements:
- a. For approved agreements: request that TC 971 AC 063 be input to IDRS on ALL taxpayer modules.

Note: Agreements approved on ICS systemically input the TC 971 AC 063 to IDRS, so no action is necessary for those agreements.

- b. For Rejected Proposals: request reversal of TC 971 AC 043 forty-five (45) days after the rejection is communicated to the taxpayer, unless a

timely appeal is received. The date of the reversing transaction (TC 972 AC 043) should be thirty (30) days from the date the rejection was communicated to the taxpayer.

- c. For Appeals: during appeals, TC 971 AC 043 remains on all modules. If Appeals sustains a rejection, input TC 972 AC 043 thirty days (30) after a rejection is communicated to the taxpayer. If Appeals grants an IA, follow the procedures above for approved agreements.

Reminder: Request input of the TC 972 AC 043 timely and with the correct transaction date to ensure the CSED is recalculated correctly.

- (11) To identify trust fund recovery penalties as pending or approved IAs, the balance due account must have an:
 - Assessed liability or liabilities
 - Executed Form 2751, Proposed Assessment of Trust Fund Recovery Penalty, from the taxpayer
 - Approved Form 4183, Recommendation re: Trust Fund Recovery Penalty Assessment, and issuance of Letter 1153, Proposed Trust Fund Recovery Penalty Notification Letter
- (12) Examples of “Pending” and “No Pending (agreement)” are in IRM 5.14.1.4, Installment Agreement Acceptance and Rejection Determinations and the two charts below.

SITUATIONS THAT DO RESULT IN IDENTIFICATION OF PENDING INSTALLMENT AGREEMENTS
<p>Example: (1) A taxpayer calls the IRS, provides their name, social security number (SSN), identifies the outstanding liability (or balances due), is in compliance with all filing requirements, fits streamlined installment agreement criteria and states they want to pay \$500 per month. If the \$500 proposed payment meets the minimum payment required under the Streamlined Criteria and the installment agreement can be immediately closed, do not request a TC 971 AC 043. If the payment does not meet the minimum required payment, the taxpayer can't make the minimum payment required for Streamlined criteria, and additional information will need to be secured, input the TC 971 AC 043.</p>
<p>Example: (2) A taxpayer wants to make payments. RO completes Collection Information Statement (CIS) including the taxpayer's name and SSN and tells the taxpayer \$500 per month is appropriate. The taxpayer is in compliance with filing requirements. The taxpayer verbally agrees to the payment amount.</p>

SITUATIONS THAT DO NOT RESULT IN IDENTIFICATION OF PENDING INSTALLMENT AGREEMENTS

Example: (1) A revenue officer evaluates a taxpayer's CIS. The taxpayer's name, social security number and balances due are all known and/or identified. The revenue officer informs the taxpayer that a \$1500 per month installment agreement is appropriate. There is no response from the taxpayer.

Example: (2) A revenue officer mails a Form 433-D, Installment Agreement, (with the taxpayer's name, SSN and balances due listed) to a taxpayer. The Form 433-D Installment Agreement, provides a payment amount based on an analysis of the taxpayer's CIS. No response is received by phone, FAX, Document Upload Tool (DUT), e-mail or other means of communication from the taxpayer.

Example: (3) A taxpayer who knows they owe taxes tells their employer to send \$500 per month of their paycheck to the IRS. The taxpayer does not communicate with the IRS. The taxpayer's employer sends \$500 per month referencing the taxpayer's SSN. (Note: if \$500 per month is being received, contact should be attempted prior to taking collection action).

Example: (4) A revenue officer begins a trust fund recovery penalty (TFRP) investigation. Meanwhile, an officer of the corporation states they want an installment agreement, identifies the trust fund portion of the corporation's liability (as the balance due account to be paid) and provides a specific payment amount (to be paid from their own funds and applied to the corporate liability – trust fund only). However, no liability has been recommended for assessment and/or the officer has not signed Form 2751, Proposed Assessment of Trust Fund Recovery Penalty, indicating responsibility for the trust fund portion of the liability (i.e., there is no balance due account for payment application). Therefore, the potentially responsible officer is informed that there is no pending installment agreement and payments made are considered voluntary. Information about designating these payments to the trust fund portion of a liability is provided in IRM 5.7.4.4, Payments by Responsible Party on Behalf of the Employer (also see IRM 5.14.7.4.1, Trust Fund Recovery Penalties and Installment Agreements and IRM 5.14.7.5, Payments on Trust Fund Accounts During Approved In-Business Trust Fund Installment Agreements).

**SITUATIONS THAT DO NOT RESULT IN IDENTIFICATION OF
PENDING INSTALLMENT AGREEMENTS**

Example: (5) A taxpayer wants to make payments on an installment agreement. The RO completes a CIS including the taxpayers name and SSN. RO tells the taxpayer \$500 per month appears to be an appropriate amount for an installment agreement, but the taxpayer is not in compliance with filing his Forms 1040 for the last two years. The taxpayer states that their accountant is away, and that the returns, which are complicated, will take some time to prepare. The revenue officer requests that the taxpayer submit original, signed returns within 60 days, along with a \$500 payment (based on the financial statement received). In addition, the revenue officer requests that a payment of \$500 be received within 30 days. These requests are made in accordance with the procedures provided in IRM 5.14.3.2, Setting Deadlines and Receiving Payments, and IRM 5.1.10, Taxpayer Contacts.

5.14.1.3.1
(12-23-2022)

**Cases Received From
ACS or Campuses**

- (1) If cases are assigned to the field from ACS or campuses with TC 971 AC 043 present on one or more of the tax modules, employees will:

- a. Attempt to contact the taxpayer and determine if the taxpayer requested an IA.
- b. If the taxpayer requested an IA, follow the procedures in IRM 5.1.10.3.2, Effective Initial Contact, regarding requesting payments. Include a definite request for payment, if appropriate. Consider the contact date to be the new request date and begin case action. If rejection is planned, an independent review is required. If the TC 971 AC 043 has not been input on all Balance Due periods, request input immediately (within 24 hours.)
- c. If the taxpayer requested an IA and is not current with filing requirements (TC 971 AC 043 input in error), **do not** reverse the TC 971 AC 043 immediately. Provide the taxpayer with a deadline for filing all required returns and any additional information necessary for an IA determination.

Note: The RO must provide and document in ICS history a deadline requesting the missing tax returns. ICS documentation must include all contacts and any communication made (orally or in writing) between the RO and the taxpayer.

- d. Advise the taxpayer that if they fail to meet the established deadline, the pending IA status will be reversed with no referral to the IAR for concurrence.
- e. If the taxpayer did not meet pending IA criteria (TC 971 AC 043 input in error) and additional information was not received as requested to consider the case as pending, then reverse the pending IA. The reversing transaction (TC 972 AC 043) date should be the same as the TC 971 AC 043 date. If the taxpayer files all delinquent returns but fails to comply with the request for information, refer the proposed rejection for IAR.
- f. If the taxpayer **did not** request an IA, request reversal of the TC 971 AC 043 using TC 972 AC 043 with the same date of input.

Note: A TC 972 AC 043 will systemically reverse TC 971 AC 043 in 26 cycles if an account does not go into ST 60, **unless** the module is in ST 26. This systemic reversal may also take place within 26 cycles if a TC 520 (except cc 76 - 77), TC 530, TC 480, or TC 780 posts to the module.

Note: Prior to 1/21/2016, a TC 972 AC 043 systemically reversed an un-reversed TC 971 AC 043 that did not go into ST 60 in 14 cycles, **unless** the module was in ST 26 or had an open case control.

- (2) In some situations, the criteria regarding IAs made solely to delay collection action may apply. In these cases, if the current date is within 30 days of the input date of the TC 971 AC 043, and it is clear that one of the criteria provided in IRM 5.14.3.3, Installment Agreement Requests Made to Delay Collection Action, is present, request input of TC 972 AC 043. Independent review is not necessary. Advise the taxpayer that they **do not** have a pending IA based on the solely to delay determination and that they can discuss the issue with the Group Manager if they choose to. Ensure case histories are documented with the basis for the solely to delay determination and managerial concurrence as provided for in IRM 5.14.3.3, Installment Agreement Requests Made to Delay Collection Action.

5.14.1.4 (03-31-2023) Installment Agreement Acceptance and Rejection Determinations

- (1) If the taxpayers are currently unable to fully or partially satisfy balance due accounts, and an IA will fully satisfy the balance due accounts (or accounts included in agreements provided by IRM 5.14.2.2, Overview), then IAs should be considered.
- (2) If the taxpayers do not qualify for Guaranteed, Streamlined or In-business Trust Fund Express IAs, determine a plan for resolving the balance due accounts based on the Collection Information Statement (CIS) and supporting documentation provided by the taxpayer, see IRM 5.1.10.3.2, Effective Initial Contact, and IRM 5.15.1, Financial Analysis Handbook.

Note: In determining the most appropriate plan for resolving the balance due, consider actions that are least intrusive to the taxpayer and meets the need of the government for efficient collection of the tax, including viable payment options provided in IRM 5.14.1.4.2 or IRM 5.14.2, Partial Payment Installment Agreements and the Collection Statute Expiration Date (CSED), to ensure the rights of the taxpayers are protected, follow the guidance in IRM 5.1.10.7, Taxpayer Rights.

- (3) There are no minimum nor maximum dollar limits for the amount of a liability that may be included in an IA.
- (4) Generally, IAs should reflect taxpayers' ability to pay on a monthly basis throughout the duration of agreements:
 - a. Analyze the income and expenses to determine the amount of disposable income (gross income less all allowable expenses) available to apply to the tax liability.
 - b. Deviations from the ALE standards must be justified when determining a monthly IA amount. To allow these expenses, supporting documentation or credible, verbal testimony are required and must be documented in the ICS case history.

- c. Analyze assets that may be available to resolve the balance due accounts. See IRM 5.14.1.4(5) for more information about economic hardship situations.
 - d. If the taxpayers do not agree to payment amounts, or to increases, inform them that these and other issues, see IRM 5.14.1.4(6) through (9) may be discussed with the next level of management.
 - e. Employees may choose to bring managers into discussions to assist in reaching agreements.
 - f. If agreements cannot be recommended for approval, inform taxpayers that their requests are pending and that *rejection of the request will be recommended*, and refer the case for IAR. Advise the taxpayer their IA proposal will be recommended for rejection and if sustained, they will have appeal rights.
- (5) If the taxpayers have equity in assets that could be used to fully or substantially satisfy balance due accounts, explore the possibility of liquidating or borrowing against those assets as determined in guidance found in IRM 5.15.1.3, Analyzing Financial Information, unless:
- It imposes an economic hardship situation as defined in IRM 5.15.1.2(16), and 26 CFR 301.6343-1(b)(4), or
 - They qualify for guaranteed or streamlined or Express agreements, see IRM 5.14.5, Streamlined, Guaranteed and In-Business Trust Fund Express Installment Agreements.

See IRM 5.15.1.2(14) and IRM 5.15.1.31(3) for additional guidance.

If the taxpayers have the ability to fully or partially satisfy balance due accounts by:	Then
<ul style="list-style-type: none"> • using cash; • withdrawing cash from the bank or other accounts; • liquidating of securities or borrowing money against the value of the securities holdings; • borrowing on equity in real or personal property; • selling real or personal property; • borrowing against the cash value of the universal life or whole life insurance policies; or • surrendering the universal life or whole life insurance policies (for the cash value). <p>Note: A life insurance policy can be worth significantly more than its cash value. Selling the life insurance policy on the secondary market can give policyholders a higher return than the policy's cash value. See IRM 5.8.5.9(3), Life Insurance, for determining the value of a taxpayer's insurance policy.</p>	<ul style="list-style-type: none"> a. request full or partial payment (specify the amount) be made on balance due accounts. b. inform the taxpayer that the specific amount of payment requested is based on the conversion of assets (through borrowing or selling); or cash or other liquid assets (such as securities or money market accounts); or other analysis of the taxpayer's financial statement. c. inform the taxpayers that IAs <i>will be recommended for rejection</i> if there is sufficient equity or cash available to <i>fully pay</i> the taxes and full payment is not received by a set date, or if there is sufficient equity or cash available to <i>make a significant partial payment</i> of the taxes and the partial payment requested is not received by a set date. Advise the taxpayer that they will have appeal rights if their IA proposal is rejected. <p>Note: See IRM 5.14.3.2, Setting Deadlines and Receiving Payments, about providing deadlines.</p> <ul style="list-style-type: none"> d. Provide a specific deadline for payment. In addition, notify taxpayers of the consequences of missing the deadline. See IRM 5.14.3.2, Setting Deadlines and Receiving Payments, for additional information.

Example: If a taxpayer has the ability to pay \$3,000 per month on a \$200,000 liability and has a home valued at \$400,000 with equity of \$200,000, request that they attempt to borrow on the available equity in the home prior to granting an IA. If the taxpayer does not attempt to borrow on the home they must be notified that, though the IA request is pending, it will be recommended for rejection. If the taxpayer is able to get a home equity loan and the monies are used to pay taxes, the amount of the payment on the loan will be considered an allowable expense. However, if the taxpayer applies for a loan but the loan application is denied, the taxpayer will be notified to submit an installment agreement request. It would promote voluntary compliance and be in the interest of the government.

Exception: If the taxpayers are eligible for Streamlined, Guaranteed or In-Business Express agreements, financial statements are not required. See IRM 5.14.5.2, Streamlined Installment Agreements, IRM 5.14.5.3, Guaranteed Installment Agreements, or IRM 5.14.5.4, In-Business Trust Fund Express Installment Agreements.

Caution: Do not warn taxpayers of enforcement action if IAs are pending or in effect. See IRM 5.14.3.2, Setting Deadlines and Receiving Payments, for additional information. This includes issuing Letter 1058, Final Notice

Reply Within 30 days which is prohibited while an IA is pending. See IRM 5.11.1.3.3.3(7)a, Issuing Notice of Intent to Levy/Notice of a Right to a Hearing in Field Collection, for additional information.

Note: It is not appropriate to ask a taxpayer to liquidate or borrow against an asset if doing so will create economic hardship for the taxpayer. See IRM 5.14.1.4(5).

Reminder: In appropriate circumstances, the taxpayer should be referred to TAS when the case meets TAS criteria. See IRM 13.1.7.2, Introduction to TAS Case Criteria.

- (6) Streamlined or In-Business Trust Fund Express IAs may be granted if taxpayers make a payment on balance due accounts that reduces the unpaid balance(s) of assessments (UBAs) to amounts that fit streamlined or In-Business Trust Fund criteria.

Example: A taxpayer owes \$60,000 (UBA) in IMF taxes. Request full payment of the balance due accounts. If the taxpayer cannot pay the taxes in full, the taxpayer may make a payment that reduces the aggregate unpaid balance of assessments (SUMRY) to \$50,000 or less prior to granting the streamlined installment agreement. The agreement should be granted as long as the CSED is protected.

- (7) If an analysis of the taxpayer's financial condition shows taxpayers cannot pay but:

- They insist on wanting to make payments, consider closing the account as CNC and advise the taxpayer they are not required to make payments while in CNC.

Note: Taxpayers have the option to make voluntary payments when possible and/or submit an Offer in Compromise.

- They choose to proceed with an IA, and the proposed amount will fully pay the balance due account(s) within the collection statute (and waiver period if appropriate), establish the IA and prepare a backup Form 53 along with the IA in case of eventual default and termination. See Exhibit 5.14.1-2.

Note: If the amounts proposed by the taxpayer will not fully pay the balance due account(s) within the collection statute, then Partial Payment Installment Agreements (PPIA) may be considered. See IRM 5.14.2.2.1, Partial Payment Installment Agreement Requirements.

- (8) If analysis of the taxpayer's financial condition shows a liability cannot be collected in full through an IA, discuss the possibility of a PPIA, an Offer in Compromise (OIC), or a CNC determination with the taxpayer. See IRM 5.8, Offer in Compromise, and IRM 5.14.2.2.1, Partial Payment Installment Agreement Requirements. If the taxpayer agrees with the alternative resolution of CNC or OIC, secure the taxpayer's consent to withdrawal from the IA in writing or verbally. Document the ICS case history with the taxpayer's agreement with the alternative resolution and request input of a TC 972 AC 043. Refer to IRM 5.14.4.5, Withdrawal of Installment Agreement Requests,

when there is a pending IA, and the taxpayer seeks an alternative method of collection to resolve the account (e.g., OIC, CNC, etc.).

Note: Give the taxpayer an opportunity to withdraw the IA request and, at the same time, inform the taxpayer that withdrawing the pending IA waives IAR or appeal rights. Refer to IRM 5.14.4.5, Withdrawal of Installment Agreement Requests.

- (9) See IRM 5.14.9.7, Independent Administrative Review after Recommended Rejection of Installment Agreement Requests, regarding IAR if IA requests are recommended for rejection.
- (10) See IRM 5.14.9.7(14), Independent Administrative Review after Recommended Rejection of Installment Agreement Requests, regarding consideration of revised proposals received during the rejection appeal period.
- (11) See IRM 5.11.1.3.2, Required Notices, and IRM 5.10.1.5.2, Alternative Methods of Collection, if the taxpayers qualify for IAs or OIC but:
 - Do not submit or request one
 - Do not agree to an acceptable payment amount

Note: Also see IRM 5.14.3.2, Setting Deadlines and Receiving Payments.

Reminder: Although the intention to recommend rejection should be relayed, actual rejection of proposed agreements must not be conveyed to taxpayers prior to IAR, and enforcement action may not be taken while IAs are pending.

- (12) For agreements that require no managerial approval, see IRM 5.14.5.2, Streamlined Installment Agreements, IRM 5.14.5.3, Guaranteed Installment Agreements, and IRM 5.14.5.4, In-Business Trust Fund Express Installment Agreements. For agreements that require management approval, see IRM 5.14.7.3, Installment Agreements Involving Limited Liability Companies, IRM 5.14.7.4.2, Approval and Monitoring, and IRM 5.14.9.2, Managerial Approval.

5.14.1.4.1 (03-31-2023) Six-Year Rule and One-Year Rule

- (1) Six-Year Rule: When a taxpayer is unable to full pay immediately and does not qualify for a streamlined IA, the taxpayer may still qualify for the six-year rule. Taxpayers are required to provide financial information in these cases, but are not required to provide substantiation of reasonable expenses. All expenses may be allowed if: the taxpayer establishes that they can stay current with all paying and filing requirements, the tax liability, including projected accruals, can be fully paid within six years and within the CSED, and the expense amounts are reasonable. Do not automatically allow agreements based on the six year maximum if expenses are unreasonable.

Reminder: The Six-Year Rule is not applicable to corporations, partnerships, LLCs (where the LLC is identified as the liable taxpayer), or any business expenses. The Six-Year Rule is also not applicable for Business Master File (BMF) liabilities owed by in-business sole proprietors or LLCs, where the individual owner is identified as the liable taxpayer.

Caution: An IA established under the Six-Year Rule is an NSIA (Non-Streamlined Installment Agreement). 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 5.15.1.3, Analyzing Financial Information.

- (2) One-Year Rule: Taxpayers who cannot full pay their accounts within six years may be given up to one year to modify or eliminate excessive necessary expenses. In some cases, by modifying or eliminating some conditional expenses, a taxpayer may be able to full pay the liability plus accruals within the six year limit. This would enable a taxpayer to retain some conditional expenses under the Six-Year rule. The taxpayer does not have to qualify for the Six-Year rule in order to apply the One-Year rule.

Reminder: The One-Year Rule is not applicable to corporations, partnerships, LLCs (where the LLC is identified as the liable taxpayer), or any business expenses. The One-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.

5.14.1.4.2
(12-23-2022)

**Compliance and
Installment Agreements**

- (1) Filing and paying compliance must be considered prior to determining that the best manner of paying delinquent taxes is through an IA.

Note: The prerequisite to any agreement: Filing compliance = all required returns are filed or on an approved extension. Payment compliance = all required federal tax deposits and/or estimated tax payments are current.

- (2) Ensure all balance due modules, including cross-referenced taxpayer identification numbers, displayed on IDRS (SUMRY, which includes Status 22, 23, 24, 26, 53, and 58) are included in the agreements. Verify by checking the applicable CFOL commands. The Initial Analysis Tool (IAT) is helpful in verifying compliance. See IRM 5.14.1.4.2(17) for necessary information and IRM 5.14.2.2, Overview, for exceptions.

- a. Individuals that are in business as sole proprietors must be in compliance with both individual and business filing and payment requirements to qualify for IAs.
- b. An individual that is identified as the liable taxpayer for a single member limited liability company (LLC) must be in compliance with both individual and business filing and payment requirements to qualify for IAs.
- c. A corporation, partnership, trust, estate or other entity that is identified as the liable taxpayer for a single member LLC must be in compliance with all filing and payment requirements for both entities to qualify for IAs.
- d. If taxpayers have delinquent accounts on two or more taxpayer identification numbers (SSN and EIN, or two EINs), all balance due accounts must be included in one agreement. See IRM 5.14.2.2, Overview, for exceptions and IRM 5.14.9.3, IDRS Monitoring, and IRM 5.14.9.5, Manually Monitored Installment Agreements (MMIA), for monitoring.

Note: For certain single member LLCs, different entities may be liable for separate tax periods assessed in the same name and EIN. See IRM 5.1.21, Collecting from Limited Liability Companies, IRM 5.14.7, BMF Installment Agreements.

- e. Modules in Status 22, 23, 24, 53, or 58 on IDRS must either be TSIGNeD or create ICS BAL Due modules prior to submitting the IA for approval and input.

Note: If a status 53 module(s) is to be excluded from the IA listed in IRM 5.14.7.3.2, Installment Agreements When Owner (SMO) and LLC are Liable for Assessments in LLC Name, make an ICS history notation in the Closing Narrative. This history notation will alert Centralized Case Processing (CCP) to exclude these modules from the IA.

(3) Taxpayers must include ACA SRP modules (MFT 35/Mirrored MFT 65) in new or Pending IAs that include regular tax assessments (MFT 30/31, 55, etc.), subject to the following guidelines:

- If the taxpayer has an existing/agreed IA, then a new Individual SRP module (MFT 35/Mirrored MFT 65) is considered a stand alone that can be included in the IA and will not default the IA.
- If the taxpayer responds to a notice on a subsequent MFT 35/Mirrored MFT 65, the IRS employee can add the new period into an existing IA without additional fees.
- If the taxpayer does not want the new Individual SRP module(MFT 35/ Mirrored MFT 65) added to the existing IA, then the Individual SRP module will be moved to recess (TC 530 cc 35). This will happen systematically if no action is taken, and the case will not be assigned to ACS or Field Collection.

Note: The case will continue to be subject to refund offset if the taxpayer does not request to have the MFT 35/Mirrored MFT 65 included in the IA.

Note: A subsequent MFT 35/Mirrored MFT 65 will not default an existing IA.

- If the IA defaults for another reason, such as insufficient payments, it will only be reinstated if all modules, including any subsequent MFT 35/ Mirrored MFT 65 modules, are included.

Note: After January 1, 2016, Individual SRP penalties (MFT 35) may be mirrored in the same manner as a MFT 30. These mirrored liabilities will appear as MFT 65 assessments.

Caution: Do not assume that assessments made against both a husband and wife for the same period are duplicates simply because they are for the same tax period. Before assessments are treated as duplicates, caseworkers should verify that the SRP assessments are for the same underlying liability (jointly filed Form 1040), and are not for separately filed Form 1040.

(4) Taxpayers must be in compliance with all filing and payment requirements prior to approval of IAs.

Note: Ensure all Del Rets are shown as closed on IDRS and in status "D" on ICS **PRIOR** to selecting one of the Option A systemic upload IA types (Routine, Streamlined, IBTF Express, IBTF). If the Del Ret is not in a closed status on IDRS and ICS, the IA request will reject.

- (5) Do not grant IAs if the taxpayers have not filed all required returns. Do not identify requests for agreements as “pending” agreements if the taxpayers have not filed all required returns. See IRM 5.14.1.3(4)d.
- (6) A Del Ret is present when a delinquency investigation is established by input of Transaction Code (TC) 140. In some publications and procedures the term “Taxpayer Delinquency Investigation” (TDI) is used to describe Del Rets.
- (7) If Del Ret status is not indicated for a tax period then, for the purpose of granting an IA, no additional compliance check is required (except on tax returns due within the past sixteen (16) months). See IRM 5.14.1.4.2(8).
- (8) Prior to granting IAs, ensure that all tax returns due within the past sixteen (16) months were filed. If not filed, address compliance even if a Del Ret is not indicated using the procedures provided in IRM 5.14.1.4.2(11). This ensures compliance is addressed when Del Ret case creation has not yet occurred. Del Rets are created within sixteen (16) months of due dates of returns.
- (9) If Del Rets were resolved by one of the following methods, the closure is not considered evidence of compliance for the purposes of entering into an IA:
 - a. Surveyed
 - b. Shelved
 - c. Unable to locate
 - d. Referred to Exam or SFR (unless the assessment is pending or the case is assigned)
- (10) If Del Rets were resolved by a closure listed in IRM 5.14.1.4.2(9)a – d, but it is determined that they could have been closed as provided in IRM 5.14.1.4.2(12), then input (or request input of) appropriate transaction and closing codes. In these situations IAs may be granted when closing Del Rets.
- (11) If an IA is the appropriate case resolution, and there is an open Del Ret on another tax module(s); then the IA may be granted when:
 - a. Tax return(s) indicated as due are filed.
 - b. Del Rets are resolved using the dispositions listed in IRM 5.14.1.4.2(12).
 - c. Del Rets are resolved using the dispositions listed in IRM 5.14.1.4.2(13).
- (12) IAs may also be granted when the following closures are present:
 - a. No return secured – little or no tax due, see Policy Statement P-5-133 found in IRM 1.2.1.6.18, Policy Statement 5-133, Delinquent returns - enforcement of filing requirements.
 - b. No return secured – taxpayer due refund.
Note: If the taxpayer is due a refund, which still may be credited within the refund statute, inform the taxpayer to file the refund return before the refund statute expires to reduce the balance due on the IA.
- (13) If the taxpayers are not required to file returns, such modules should be closed using appropriate transaction and closing codes. The return closing codes that indicate filing compliance, or that filing is not required are contained in IRM 5.1.11.8.3, No Return Secured Taxpayer Not Required To File For This Period

Only, and IRM 5.1.11.8.4, No Return Secured Taxpayer No Longer Required to File (Final). Also see *SERP - Document 6209 - Section 11, Collection definitions*.

- (14) If the taxpayers are required to file returns and these returns are not filed, IAs cannot be granted or approved. See IRM 5.1.11.8, Delinquent Return Investigation Closures, for closing procedures for delinquent return accounts. Also, see *SERP - Document 6209 - Section 11, Collection definitions*.
- (15) If Del Rets were closed with a transaction code that does not indicate filing compliance, request that returns be filed within a reasonable time frame.
- (16) See IRM 5.1.11.5, Cases Requiring Special Handling, for exceptions and guidance regarding the filing of returns.
- (17) Compliance checks based on case information:
 - a. Except in those situations described in IRM 5.14.1.4.2(7) and IRM 5.14.1.4.2(8) above, further compliance investigation is neither required nor prohibited, if Del Ret status is not indicated on IDRS. In addition, unless there is a Del Ret, no CFOL review (and no IRPTR review) is required.
 - b. If further research is conducted and there is an indication a return is due, then address filing compliance prior to granting IAs. IAs may not be granted if it is determined taxpayers are liable for unfiled Balance Due returns. See P-5-133 in IRM 1.2.1.6.18, refund return determinations and the dispositions provided in IRM 5.14.1.4.2(12) are permitted in these situations, if determined appropriate after further investigation.
- (18) The compliance checks described in this section are conducted to determine eligibility for IAs after they are requested by taxpayers. If the taxpayers do not file the requested returns by the provided deadlines (and the circumstances described in IRM 5.1.11.5, Cases Requiring Special Handling, do not apply) requests for agreements will not be identified as pending (rejection and independent review are inapplicable) and agreements will not be granted.
- (19) Analyze the current year's anticipated tax liability. If it appears a taxpayer will have a balance due at the end of the current year, the accrued liability may be included in an agreement, see IRM 5.14.1.4.5. Compliance with filing, paying estimated taxes, and federal tax deposits must be current from the date the IA begins. Use Agreement Locator Number (ALN) XX32 (see Exhibit 5.14.1-2).
 - a. If the taxpayer's withholding is insufficient, emphasize the importance of adjusting Form W-4 to avoid future balance due situations. If personal (face-to-face) contact with the taxpayer is made, calculate the current amount of withholding with the taxpayer. With the taxpayer's concurrence, prepare a new Form W-4 for signature. Mail the signed Form W-4 to the taxpayer's employer.
 - b. Advise the taxpayers to make estimated tax payments and/or federal tax deposits (FTDs) if required.
 - c. Advise the taxpayers that failure to make timely estimated tax payments and/or FTDs may result in penalties.
 - d. Advise the taxpayers that future compliance with tax laws is required. Any returns and/or taxes due within the period of the agreement must be filed and paid timely.

- e. Advise the taxpayers that federal tax refunds are subject to offset to pay balance due accounts during IAs, including refunds from income taxes of individuals whose sole proprietorship or partnerships owe taxes and have IAs. In these cases, ensure TC 130 is input for the appropriate SSNs.
- f. Advise the taxpayers that if the owner of a single member LLC is identified as the liable taxpayer, any federal tax refunds payable to the owner are subject to offset to pay balance due accounts during IAs, including refunds from income taxes of an individual, corporation, or other entity where the owner owes taxes and has an IA. In these cases, ensure TC 130 is input for the appropriate SSNs or EINs.

5.14.1.4.3
(12-23-2022)

Notice of Federal Tax Lien and Installment Agreements

- (1) Prior to granting IAs, ensure the government's interest is protected. This includes filing and refiling Notices of Federal Tax Lien (NFTL), if necessary. See IRM 5.12.2, Notice of Lien Determinations, regarding NFTL filing determinations.
 - a. A NFTL determination must be made on all cases meeting the criteria of IRM 5.12.2.6, NFTL Filing Criteria. In general, accounts that do not qualify for guaranteed, streamlined, or IBTF express IA processing require NFTL determinations.
 - b. When filing a NFTL in connection with an IA advise taxpayers in advance of the plan to file the NFTL and give them the opportunity to make full payment, or modify the IA to meet the non-filing criteria in IRM 5.12.2, Notice of Lien Determinations.

Reminder: If the taxpayer disagrees with the proposed notice filing, advise the taxpayer of their right to appeal under the Collection Appeals Program (CAP). Also, explain to the taxpayer their right to request a Collection Due Process (CDP) hearing under IRC 6320 once the notice has been filed. See IRM 5.12.6, Appeals Processes Involving Liens.

Reminder: If a NFTL is on file for the taxpayer and a third-party forecloses on its mortgage or lien, the IRS may authorize the Department of Justice (DOJ) to counterclaim (see 26 CFR 6159-1(f)(3)(ii), Effect of installment agreement or pending installment agreement on collection activity - Other actions by the IRS while levy is prohibited - Proceedings in court).

Example: The IRS may file a claim to the surplus proceeds from 28 USC 2410 action (see IRM 5.17.5.18.11(1), Surplus Proceeds) or pursue a redemption of the property if appropriate (see IRM 5.17.5.18.12(1), The Redemption Price.)

- (2) NFTLs may be filed:
 - While IAs are pending
 - In connection with granting IAs
 - During the rejection process
 - During the default/termination period

Note: See IRM 5.14.11.5(1)f, Considerations after Default or Termination, Including Reinstatement, and IRM 5.14.11.6, Lien Determinations: Defaulted/Terminated Installment Agreements, regarding filing NFTL during defaulted and/or terminated IAs.

- (3) Though it is not general practice to do so, **NFTLs may be filed after group manager approval** is received:
- While IAs are in effect.
 - During appeals of rejections, defaults and terminations (inform Appeals of this plan).

Note: NFTLs should only be filed if exigent circumstances exist (i.e., the taxpayer is liquidating or placing assets beyond the reach of the government). Group manager approval is required for NFTLs filed in accordance with (3) above. Review IRM 5.14.11.6, Lien Determinations: Defaulted/Terminated Installment Agreements, prior to filing these NFTLs.

- (4) If a NFTL will be required on pre-assessed tax period(s), the request for NFTL filing must be manually submitted on Form 12636 Request for Filing or Refiling Notice of Federal Tax Lien, to the Centralized Lien Operation (CLO) once the tax period is assessed and ten days have passed. CCP will **NOT** hold or process any request for NFTL filing on a pre-assessed period submitted with an IA.

5.14.1.4.4 (12-23-2022) Increases, Decreases, Varied Payment Amounts; Completing and Processing Installment Agreements

- (1) The amount of the taxpayer's payment depends on their ability to pay. See IRM 5.14.1.4(5).
- Only equal monthly IAs can be monitored on IDRS. However, inform taxpayers that extra payments or higher payments can be accepted at any time.
 - Space is provided on Form 433-D, Installment Agreement, and Form 2159, Payroll Deduction Agreement, for scheduled increases or decreases in payment amounts. IDRS will accept two changes in payment amounts when agreements are input for systemic monitoring. Agreements must be manually monitored if more than two changes in payment amount are planned. Document reasons for scheduled *increases* or *decreases*. Reasons can include expected full payment of a loan that will increase the taxpayer's ability to pay; income is scheduled to increase or decrease; or necessary living expenses are scheduled to increase or decrease. See IRM 5.15.1.11, Other Expenses.
- (2) Agreements may include an *increase* of one or two large payments to fully or partially pay accounts if it is documented and verified taxpayers will receive funds to make the payments. These payments may be represented as increases in the installment payment amount as discussed in IRM 5.14.1.4.4(1)(b). Situations that may call for this type of agreement include:
- Contract sales with determined payment date(s) Judgments resulting in fixed settlement and payment dates
 - Beneficiary, distributee or payee status in trusts, estates, or profit sharing plans resulting in expected payment(s) on certain date(s)
 - Accrued equity in assets from which taxpayers plan to borrow when the monthly payment is scheduled to increase
 - Other projected receipts of funds
- (3) Payment schedules may incorporate *varied* payments. Support varied payment schedules with documentation. Examples of reasons for varied payment schedules include, *but are not limited to*:

- *Anticipated* fluctuations in business cycles for businesses or “commission” employees
 - Contract employment
 - Self employment
 - Seasonal employment
 - Seasonal expenses (for example, child-care costs when school is out)
 - Planned (scheduled) changes in employment status, such as plans to work part-time, or reduced schedules, especially if the changes are made in order to facilitate a parent staying home with children, even if this means making numerous changes to monthly payment amounts over a period of time
- (4) For all agreements: request that the taxpayers select a day of the month, from the 1st through the 28th, for the payment due date. Advise the taxpayers:
- a. On IDRS monitored agreements, a monthly payment reminder notice (CP 521) will be mailed to taxpayers two cycles before each payment due date, except in the case of DDIA's. A pre-addressed envelope is included with the notice. In the case of payroll deduction IAs (PDIAs), inform the taxpayer that even though the payments are being sent by their employer, they will receive a monthly reminder notice for their records.

Note: For PDIAs, advise the taxpayer to forward all payment reminder notices to the employer. Notice CP521 is not programmed to automatically send monthly reminder notices to the employer in relation to PDIAs.
 - b. To send payments according to the terms of agreements, even if no reminder notice is received.
 - c. In the absence of pre-addressed envelopes, payments can be mailed to the campus address that services the area, i.e., Internal Revenue Service, city, state, and zip code of the appropriate SB/SE or W&I campus.
 - d. To write the taxpayer's name and SSN/EIN on the front of each check if the taxpayer did not receive a reminder notice. Write the type of tax, the tax period, and “Installment Agreement” on the check. Checks should be payable to US Treasury. See IRM 5.14.1.2(5), and note that IA payments may not be designated. See IRM 5.14.7.5(1), Payments on Trust Fund Accounts During Approved In-Business Trust Fund Installment Agreements paragraph.
- (5) Whatever day of the month is selected for the payment due date, the first payment date on the DDIA must be at most 60 days into the future. Refer to IRM 5.14.10.4(7)c, Direct Debit Installment Agreement, the timeframe when the first payment is scheduled to draft.
- (6) Assign Agreement Locator Numbers (ALNs) in accordance with Exhibit 5.14.1-2. Use a multiple condition ALN when appropriate. Also see IRM 5.14.9, Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals.
- (7) List levy source information, including complete addresses, and ZIP codes on IA forms.
- (8) An IA must be in writing. A written IA may take the form of a document signed by the taxpayer and the Commissioner (Form 433-D) or a written confirmation

of an agreement entered into by the taxpayer and the Commissioner that is mailed or personally delivered to the taxpayer (Letter 2849 or Letter 2850).

Note: Agreements approved using the ICS application will generate the appropriate written confirmation (Letters 2849 or Letter 2850). It is the revenue officer's responsibility to mail or deliver the letters to the taxpayer and document the method of delivery in ICS. Form 433-D needs to be signed by the taxpayer only in direct debit agreements.

- (9) Taxpayer signatures must be secured on all Forms 2159, Payroll Deduction Agreement. See IRM 5.14.10.3, Preparation and Distribution of Form 2159, Payroll Deduction Agreement. Also, though taxpayer signatures are generally not required on Forms 433-D:
 - *Signatures on Form 433-D are required for direct debit agreements* (attach a voided check or on the Form 433-D document the account number and bank routing number for processing); and
 - They may be obtained when taxpayers are available during personal contact.
- (10) Approval authority for IAs is provided in IRM 5.14.9, Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals. If approval cannot be secured while taxpayers are present, advise them that proposed IAs must be approved. See IRM 5.14.1.2(5) and IRM 5.14.3.2, Setting Deadlines and Receiving Payments, regarding requests for payments in the interim, and IRM 5.14.1.3 regarding necessary inputs to IDRS. Submit agreements for approval before any payments are due. If there are delays in the approval process, notify taxpayers.
 - a. Thoroughly consider the taxpayers' rights and interests prior to recommending rejection of an IA request. Consider all aspects of the request, including circumstances presented by taxpayers that they claim to support the acceptance of the agreement; information taxpayers provide in support of approving the agreement; and the independent review criteria described in IRM 5.14.9.7(5), Independent Administrative Review after Recommended Rejection of Installment Agreement Requests, and IRM 5.14.9.7(6). Although taxpayers *should be informed if the rejection of the agreements is being recommended*, do not convey actual rejection of proposed agreements prior to IAR except in the limited situations described in IRM 5.14.3.3, Installment Agreement Requests Made to Delay Collection below. Also see IRM 5.14.9.7, Independent Administrative Review after Recommended Rejection of Installment Agreement Requests, regarding the independent review process.
 - b. If additional information or action is required (for instance, an attempt to borrow is requested), then request the necessary information or action from the taxpayer and establish a reasonable action date. Explain the consequences of failure to comply with the request. If an action date is missed, refer the case to the IAR prior to conveying the rejection of the proposed agreement to the taxpayer. In general, no enforcement action may be taken as a consequence of such missed action dates, unless the situations described in IRM 5.14.1.5(2) or in IRM 5.14.3, Deadlines, Payments, and Requests for Installment Agreements Made to Delay Collection, are present. See also IRM 5.14.9.7, Independent Administrative Review after Recommended Rejection of Installment Agreement Requests, regarding IAR.

- c. While meeting or speaking with taxpayers, if they do not agree to payment amounts or increases in payments, advise them that a meeting with the next level of management may be requested. Also, employees may include managers in discussions about IAs with taxpayers if it assists them in finalizing agreements. If approval of an agreement is not planned, inform the taxpayer that the status of the agreement is “pending”, and rejection will be recommended and that rejected requests may be appealed. Then refer such cases for IAR. See IRM 5.14.9.7, Independent Administrative Review after Recommended Rejection of Installment Agreement Requests.

- (11) Inform the taxpayers that the failure-to-pay (FTP) penalty is reduced on IAs if certain conditions are met. See IRM 5.14.1.2(6).

5.14.1.4.5
(12-23-2022)
**Installment Agreements
with Pre-assessed
Modules**

- (1) If an installment agreement is for **pre-assessed and prompted modules only**, forward the file to Centralized Case Processing (CCP) on Form 3210. These types of agreements cannot be systemically uploaded from ICS to IDRS. Pre-assessed agreements may be input to IDRS by CCP, before the assessment is made, via IDRS command code IAPND. Although this generally precludes the need for manual monitoring of these accounts, pre-assessed IAs may be monitored by CCP until all periods are assessed. These agreements are sent to the CCP team located as follows:

Mailing Address
<p style="text-align: center;">Internal Revenue Service 2970 Market Street Mail Stop 5-E04.117 Philadelphia, PA 19104</p> <p style="text-align: center;">The 433-D can also be e-mailed or e-faxed to the appropriate CCP mailbox.</p>

- (2) Using Option A on ICS, IAs which include **both** assessed (ST. 26) and pre-assessed modules, can be systemically uploaded from ICS to IDRS. However, in order for the pre-assessed module to be included in the IA, you must complete the ICS template version of the Form 4844. In the “Remarks” section of this form include the following statement: “Please update ENMOD history to include pre-assessed module(s) xx-xxxxxx in installment agreement.” Respond “Yes” to having the document e-mailed to CCP. ICS will prompt you to complete the Form 4844 prior to saving the IA request.
- (3) Compliance Service Collection Operation (CSCO) is responsible for adding pre-assessed modules to agreements when they post and the accounts appear on the Installment Agreement Accounts List (IAAL).

Note: ICS will automatically select the correct ALN when an agreement has more than one condition. The highest priority value will be used for the “YY” indicator. A “YY” Indicator of “32” identifies pre-assessed modules are included in the agreement.

- (4) Option B on ICS can also be used for requesting input of IAs with both assessed and pre-assessed modules. Use the systemically generated Form 3210 to send the IA to CCP for processing at Mail Stop 5-E04.118. Use IA Locator Number XX32 (see Exhibit 5.14.1-2). Ensure all account balances

included in agreements will be fully paid prior to CSEDs plus allowable extensions. See IRM 5.14.2.2.3(3), Waiver Procedures for Partial Payment Installment Agreements. See IRM 5.14.2.2.1, Partial Payment Installment Agreement Requirements, for information on partial payment IAs.

- (5) If the agreement contains ONLY pre-assessed modules and the taxpayer requests a DDIA, process the IA per the procedures in IRM 5.14.10.4, Direct Debit Installment Agreements (Regular DDIA's) or IRM 5.14.10.5, Direct Debit Installment Agreements for IBTF Cases (IBTF DDIA's).

5.14.1.5 (12-23-2022)

Levy Restrictions and Installment Agreements

- (1) No levy may be made on taxpayer accounts:

- a. While requests for IAs are pending.
- b. While IAs are in effect.
- c. For 30 days after requests for agreements are rejected.
- d. For 30 days after agreements are terminated.
- e. While an appeal of a default, termination or rejection is pending or unresolved.

Note: Criteria for identifying “pending” agreements are in IRM 5.14.1.3.

- (2) Levies may be served during the periods described in IRM 5.14.1.5(1) above:

- a. If the taxpayers waive the restriction in writing (see Exhibit 5.14.1-3).
- b. If collection is in jeopardy (i.e., if a condition allowing a jeopardy assessment exists.) In these situations CP 523, Notice of intent to levy Intent to terminate your installment agreement, (Letter 2975, Notice of Defaulted Installment Agreement Under IRC 6159(b), for MMIA's) is not required. Unless notice of the right to appeal was previously provided, the taxpayers must be notified of their appeal rights after jeopardy levies. See Policy Statement P-4-88 found in IRM 1.2.1.5.27 for a list of conditions under which a jeopardy assessment will be made. See also IRM 5.11.1.4.8, Pending & Active Installment Agreements, for approval levels for jeopardy levies. The Approval level depends on whether the notices described in IRM 5.11.1.3.2, Required Notices, were sent, and if required waiting periods have passed.
- c. For balance due accounts not included in current IAs, the new tax periods are not affected by the appeal period for defaulted IAs.

Caution: In this context, “current” IAs include those in IDRS status 64 (default) because they remain in status 60 on Master File for the 13 cycles they are in status 64 on IDRS (until terminated and removed from status 60). Also, CDP notices and time frames must be provided to taxpayers on all balance due accounts before levies are served. See IRM 5.14.2.2.1 (regarding partial payment installment agreements) and IRM 5.11.1.3 (regarding pre-levy actions).

Example: The taxpayer has an IA for payroll taxes for the periods ending September 30, 2020, and December 31, 2020. The period ending March 31, 2021, is not included in the IA and now has a balance due and all appropriate due process notices were mailed. The default Letter 2975 has been sent on the periods in the IA, but 90 days have not passed. In this example, although levies may not be served for those tax periods

included in the agreement, levies may be sent to levy sources to collect on the balance due for the period ending March 31, 2021.

- (3) If an IA is identified as *pending* and a levy is outstanding, it may be released, but it is not required that such levies be released. If an IA is *approved*, and there is a levy outstanding, it *must be released* unless the agreement provides otherwise. If an outstanding levy will remain in effect during an IA, document this in the “Additional Conditions” block of the agreement form. See IRM 5.11.1.4.8, Pending & Active Installment Agreements.

Example: (1) A levy has attached funds in the taxpayer’s bank account, and an IA is prepared before the proceeds are received. If it is decided, with the concurrence of the taxpayer, not to release the levy, this must be written in the Additional Conditions block of Form 433-D.

Example: (2) If a wage levy is to remain open while a taxpayer is making installment payments, it must be written in the “Additional Conditions” block of Form 433-D that the levy is to remain in effect until the liability is satisfied (or the levy is released). Situations where a wage or continuous levy is left in place during an IA may include, but is not limited to levies on mineral royalties or intermittent income not included in the income and expense analysis.

Note: If the levy is to collect on a balance due account that is not included in an IA, then no release is required.

5.14.1.6
(12-23-2022)
**Multi-functional
Installment Agreement
Authority**

- (1) IRM 5.14, Installment Agreements, is primarily for use by Collection contact personnel. In addition, it is referenced by other functions for IA policy and procedures. This section provides cross-functional authority to grant IAs and references actions necessary in the IA process. Collection personnel should reference this section to learn about other functions’ IA authority and the types of assistance other functions may request.
- (2) The authority to grant IAs has been extended to other contact functions within the IRS to improve one-stop service, reduce taxpayer burden, encourage voluntary compliance and utilize resources more effectively. The functions are: Appeals, Tax Exempt and Government Entities, Examination, Taxpayer Advocate Service, Submission Processing, and Field Assistance.

Note: IRM 5.19 provides procedures for campuses, ACS and toll-free.

- (3) Multi-functional IA authority is limited to certain types of accounts with an

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- a. The types of accounts this authority is limited to are individual accounts, corporate or LLC accounts in which the only open periods are Form 1120 modules, and out-of-business sole proprietor or LLC accounts where the owner of the LLC is identified as the liable taxpayer.

Note: (1) The limitation on dollar amount does not apply to agreements Appeals can consider under Collection Due Process or the Collection Appeals Program. See IRM 8.22.4, Collection Due Process

Appeals Program, IRM 8.24.1, Collection Appeals Program (CAP), and IRM 8.22.7, Alternatives to Collection Action.

Note: (2) Multi-functional IA authority does *not* extend to granting agreements in accordance with the procedures provided in IRM 5.14.2.2.1, Partial Payment Installment Agreement Requirements.

- b. See streamlined IA procedures for accounts with an aggregate unpaid balance of assessments (SUMRY) less than or equal to \$50,000 in IRM 5.14.5.2, Streamlined Installment Agreements.
- c. See guaranteed IA procedures for accounts with income tax of \$10,000 or less, in IRM 5.14.5.3, Guaranteed Installment Agreements.

Note: This authority is limited to individual income tax accounts.

- d. See In-Business Trust Fund Express for accounts with an unpaid balance of assessment (SUMRY Balance) of \$25,000 or less, in IRM 5.14.5.4, In-Business Trust Fund Express IAs.

Note: This authority is limited to in-business BMF accounts.

- (4) Multi-functional authority to grant a Short Term Payment Plan Within 180 days is based on the campus collection function and dollar criterion for requesting payment agreements. These Short Term Payment plans may be granted for up to 180 days (field collection function employees **do not** have the authority to grant a Short Term Payment Plans Within 180 days). See IRM 5.19.1.6.3, Short Term Payment Plan Within 180 Days, regarding instructions and IRM 5.19.1.2.6, Case Processing Authority Levels, for authority levels for SB/SE campus employees.

Note: Any taxpayer with an open employment tax filing requirement is considered “in-business” and is not eligible for this type of agreement.

- (5) The multi-functional IA authority levels apply to assessed and pre-assessed accounts including taxpayers who state an inability to pay when they file their return timely or late.
- (6) If the taxpayers do not qualify for guaranteed, streamlined or in-business trust fund express IA processing, a CIS is required. Financial analysis may be done by the function initiating the agreement if sufficient expertise exists. See IRM 5.15.1, Financial Analysis Handbook, regarding financial analysis.
- (7) Financial statements—on those cases which do not qualify for guaranteed, streamlined, or Express processing —require verification of income and expenses. Verification may be done by the function initiating the agreement if sufficient expertise exists. Research of local property records regarding real property, personal property, and motor vehicle ownership is not required.
- (8) See IRM 5.14.1.4.3 regarding NFTL filing. NFTL filings will be requested from the Collection function on Form 12636, Request for Filing or Refiling Notice of Federal Tax Lien.

Reminder: If a NFTL is to be filed, the taxpayer must have been advised in advance.

- (9) If the function initiating the agreement is not able to conduct financial analysis or verification, assistance will be sought from Collection personnel, or the

taxpayer will be referred to Collection. The function initiating the agreement may assist the taxpayer in completing the CIS before referring the taxpayer to Collection.

- (10) Upon identification of an IA request, the case-file will be noted that an IA is "pending." See IRM 5.14.1.3 regarding criteria necessary for identification of "pending" status.
- (11) If a CSED extension is appropriate see IRM 5.14.2.3, Collection Statute Expiration Date (CSED): Law, Policy and Procedures.
- (12) IAs will be approved by functions that initiate agreements. Completed forms will be routed as follows:
 - a. All field functions initiating IAs will route completed forms to Centralized Case Processing (CCP).
 - b. Appeals may input IAs secured within its function according to local guidelines (except Manually Monitored IAs). See IRM 8.20.7.20.17, CDP/EH with an Installment Agreement, and IRM 8.20.7.41, Installment Agreements (IA), for Appeals procedures.
 - c. If the function initiating the agreement is not located in an area office or has made arrangements to send completed forms directly to a campus, then completed forms will be routed to CSCO for processing.
 - d. If a campus secures an original IA and Form 900 waiver, copies of *both forms* will be forwarded to CCP.
- (13) If an account does not fall within the multi-functional guidelines or a function is unable to grant an IA for any reason, assistance will be sought from the Collection function or the taxpayer will be referred to Collection.
- (14) If the proposed IA cannot be granted due to the taxpayer's noncompliance to deposit or estimated tax payment requirements, failure to file required returns, or failure to provide information (within a reasonable deadline); then the procedures in IRM 5.14.9.7, Independent Administrative Review after Recommended Rejection of Installment Agreement Requests, and IRM 5.14.9.8, Collection Appeals Program, should be followed before the case is referred to field revenue officer groups. See IRM 5.19.1.3.2.4, Revenue Officer (RO) Assignment.
- (15) Local procedures should be developed by SB/SE Area Collection functions to accommodate other functions seeking assistance. Collection is responsible for the administration of IAs.
- (16) Examination employees who receive an IA request from a taxpayer should follow the procedures in IRM 4.19.13.11, Taxpayer Replies, and IRM 4.20.1.4, Examination Collectibility Procedures - Installment Agreements.

Exhibit 5.14.1-1 (12-23-2022)

Input of Transaction Code 971 Action Codes 043 and 063 for Pending and Active Installment Agreements

These procedures apply to area offices, campuses and Automated Collection System (ACS) Call sites. Directors will designate employees responsible for specified inputs at a central location, or at the group, team, or unit level. Responsible functions must be continuously available to receive telephonic requests for input of TC 971, Action codes 043 & 063, during core business hours. Requested transaction codes must be input to IDRS immediately upon the request of contact employees.

Agreement Type	Instructions
Pending Agreements	<ol style="list-style-type: none"> 1. Request TC 971 Action Code 043 be input to IDRS on ALL modules for which the taxpayer is liable within 24 hours. See IRM 5.14.1.3, Identifying Pending, Approved and Rejected IA Proposals on IDRS for additional guidance. 2. If there are tax modules (accounts) that are not on IDRS (But are on Master File), request input of TC 971 AC 043 separately on these. 3. Do not input TC 971 AC 043 for immediately approved agreements. See "Approved Agreements" below.
Approved Agreements	<ol style="list-style-type: none"> 1. A TC 971 Action Code 063 is systemically input to IDRS on ALL modules for which the taxpayer is liable for IA's approved on ICS, see IRM 5.14.9.5, Manually Monitored Installment Agreements (MMIA's), for additional guidance regarding the MMIA approval process. 2. For the purpose of this sub-section, approved agreements are only those agreements that are approved on the date the agreement is requested. 3. If agreements are immediately approved there is no need to input TC 971 AC 043 for the period of time between the request for the agreement and the time it is approved.
For Rejected Proposals/ Appeals	<ol style="list-style-type: none"> 1. Request reversal of TC 971 AC 043 forty-five (45) days after the rejection is communicated to the taxpayers, unless during the 30 day period the rejection is appealed. 2. During appeals, TC 971 AC 043 remains on all modules included in the proposed IA. 3. If Appeals sustains rejections, input TC 972 AC 043 (if 30 days have passed) or 30 days after rejection is communicated to taxpayers. 4. If Appeals grants IAs, follow the procedures above for approved agreements.

Exhibit 5.14.1-1 (Cont. 1) (12-23-2022)**Input of Transaction Code 971 Action Codes 043 and 063 for Pending and Active Installment Agreements**

Agreement Type	Instructions
For Defaulted/Terminated Agreements	<ol style="list-style-type: none"> 1. IDRS: <ul style="list-style-type: none"> • systemically reverses TC 971 AC 063 when there is a change from status 6X to any Master File status other than Status 26. This systemic reversal excludes the following types of I/As: IBTF-Express, IBTF-IA, DDIA IBTF- Express, and DDIA IBTF-IA. • generates TC 971 AC 163 to reverse TC 971 AC 063. 2. Status 64 on IDRS remains in status 60 on the Master File for thirteen cycles. This provides taxpayers levy protection. 3. During the first 30 days of Status 64 taxpayers may appeal proposed terminations to the Appeals Division. 4. Taxpayers may also appeal terminations of agreements for 30 days from the date agreements are terminated. See IRM 5.14.11.4 regarding defaulted and terminated agreements. <p>Note: Input of TC 971 ACs 043 can be generated on ICS using the IA menu. This transaction will upload from ICS to IDRS. Any notice accounts or other accounts not in Status 26 should be created on ICS so that the transaction code can be properly generated.</p>

The following transaction/action codes identify and reverse identification of pending and active IAs:

Transaction Code	Action Code	Definition
971	043	Identifies pending IA.
972	043	Reverses identification of pending IA (reverses TC 971 AC 043).
971	063	Identifies active IA.
971	163	Input to reverse identification as Active IA (reverses all TC 971 AC 063s).
972	063	Input to reverse identification as Active IA when TC 971 AC 063 was input in error.

Status 60, TC 971, IDRS, Master File (MF) interface information:

- TC 971 AC 043 must be manually requested for input to IDRS for pending agreements
- TC 971 AC 063 is generated by status 60, or may be manually input to IDRS
- Any change from 6X (60, 61, 64) to any Master File status other than Status 26 generates TC 971 AC 163
- Status 64 **DOES NOT** generate TC 971 AC 163. While accounts are in IDRS status 64, they remain in MF status 60. See “For Defaulted/Terminated Agreements” above)
- When TC 971 AC 163 is input, it reverses the TC 971 AC 063.
- If TC 971 AC 063 is not present, use TC 972 AC 043 to reverse TC 971 AC 043
- TC 972 AC 063 reverses an erroneous input of TC 971 AC 063

Exhibit 5.14.1-2 (12-23-2022)

Installment Agreement Locator Numbers — (ALNs)

Designate 4 digit ALNs (XXYY) to identify IAs by type and originator. The XX Position (first two digits) denotes either **Initiator** or **Agreement Type**. The **XX values are:**

Code	Defintion
00	Form 433-D initiated by AO on an ACS case
01	Customer Service Toll-Free initiated agreements
02	AO Field Territory (revenue officer) initiated agreements
03	Direct Debit agreements initiated by any function
06	Exam initiated agreements
07	Submission Processing initiated agreements
08	Agreements initiated by other functions
11	Form 2159 (Payroll Deduction Agreement) initiated by any AO, ACSor Customer Service
12	AO or ACS agreement with multiple conditions (except DDIA)
20	Status 22/24 accounts — Call Site/CSCO
30	Regular IA secured as a result of Withholding Compliance Case (WHC)
31	Streamlined IA secured as a result of Withholding Compliance Case (WHC)
90	CSCO initiated agreements — other than status 22 or 26
91	Form 2159 agreement initiated by CSCO
92	CSCO agreement with multiple conditions (except DDIA)
94	IA requested on Form 9465, Installment Agreement Request (except DDIA).
99	Short Term Payment Plan (Up to 180 day extensions (NOT FOR FIELD))

The “YY” position (second two digits) denotes **Agreement Conditions**. “YY” values are:

Code	Defintion
08	Continuous Wage Levy (From ACS and RO)
09	All other conditions
12	Partial Payment Installment Agreement (PPIA) all functions
15	In-Business Trust Fund (IBTF) monitoring required for all functions
27	Restricted Interest/Penalty Condition Present
32	Unassessed modules to be included in IA
36	Streamlined agreements \$25,000 or less
37	Streamlined agreements \$25,001 or greater

Exhibit 5.14.1-2 (Cont. 1) (12-23-2022)**Installment Agreement Locator Numbers — (ALNs)**

Code	Definition
41	BMF In-Business Deferral Level (for CSCO USE ONLY)
53	Report Currently Not Collectible if agreement defaults (Backup 53)
63	Cross-Reference TIN (ST 63)
66	File NFTL in event of default
70	Secondary TP responsible for Joint Liability
80	Review and revise payment amount
99	Short Term Payment Plan; this is not an IA (NOT FOR FIELD)

Note: If more than one condition exists, ICS will systemically use 12 in the “**XX**” position:

Exception: When any DDIA selection is made regardless of any other “**YY**” choices, ICS will systemically use 03 in the “**XX**” position.

The highest priority value will be used for the YY indicator. If multiple conditions exist, and one of the conditions below is used in the YY position, all other selected values will be systemically written in the *Additional Conditions* section of the Form 433-D and in the ICS history. This information will NOT be included in the additional conditions section of the taxpayer’s Letter 2850 or Letter 2849. The cross-reference TIN information will be printed on the letter.

Priority	Agreement Condition Value	Definition
1.	63	Cross-Reference TIN (ST 63)
2.	12	Partial Payment Installment Agreement (PPIA) all functions
3.	53	Report Currently Not Collectible if agreement defaults (Backup 53)
4.	32	Unassessed modules to be included in IA
5.	15	In-Business Trust Fund (IBTF) monitoring required for all functions
6.	27	Restricted Interest/Penalty Condition Present
7.	36	Streamlined agreements \$25,000 or less
8.	37	Streamlined agreements \$25,001 or greater
9.	66	File NFTL in event of default
10.	70	Secondary TP responsible for Joint Liability
11.	80	Review and revise payment amount
12.	99	Short Term Payment Plan; this is not an installment agreement (NOT FOR FIELD)

Exhibit 5.14.1-3 (09-30-2004)

Waiver of Restriction of Levy During a Pending or Active Installment Agreement

**WAIVER OF RESTRICTION OF LEVY DURING A PENDING OR ACTIVE
INSTALLMENT AGREEMENT**

Taxpayer Name: _____
 Taxpayer Address: _____
 Type of Tax/Tax form numbers: _____
 Tax Periods: _____
 Social Security Number(s)/Employer Identification Number: _____

A resolution to the above-referenced tax liability is being or has been made with the Internal Revenue Service through an Active or Pending Installment Agreement. This is a request for the Service to levy the following asset(s) held by the following sources during the prohibition of levy while a Pending or Active Installment Agreement exists:

ASSET

LEVY SOURCE TO BE SERVED

This document waives the restriction on levying assets under Internal Revenue Code sections 6331(k) and 6159 when a Pending or Active Installment Agreement exists. This waiver applies to the asset(s) held by the respective sources, on the tax periods, and taxpayer identification number(s), referenced above and regarding the Active or Pending Installment Agreement dated: _____. Previously a Notice of Intent to Levy and Notice of Due Process on the above-mentioned tax periods was received and 30 days have passed since the date of the Notice. No Collection Due Process Appeal is currently pending or has been requested within the last 30 days. It is understood that this waiver:

- Is not given under duress, but freely and with knowledge of the Taxpayer's Bill of Rights and Collection Appeal Rights, and will only be used after a CDP Notice has been issued.
- Relinquishes the right to the Collection Appeal Program regarding the prohibition to levy during a pending or active installment agreement regarding the above-referenced, source, liability, and taxpayer identification number(s).
- **Allows (does not waive):** 1) the right to file an Equivalent Hearing on the above-referenced periods and taxpayer identification number, even if in conjunction with the asset(s) and source(s) listed above; 2) the right to file a request for retained jurisdiction, if a Collection Due Process hearing was held previously on the above-referenced periods and taxpayer identification number; and, 3) any other rights that could be applicable.
- Will be incorporated into the Pending or Active Installment Agreement.

 Taxpayer's signature

 Spouse's signature (if applicable)

 Authorized Representative's signature (if applicable)

 Internal Revenue Service Employee

Dated: _____

Exhibit 5.14.1-4 (09-22-2021)
Installment Agreement Originator Codes

20	Collection field function regular agreement
21	Collection field function streamlined agreement
30	Withholding Compliance regular IA
31	Withholding Compliance streamlined IA
50	Field assistance Counter regular agreement
51	Field assistance Counter streamlined agreement
58	Field Assistance ICS regular IA
59	Field Assistance ICS streamlined IA
60	Examination regular agreement
61	Examination streamlined agreement
70	Toll-free regular agreement
71	Toll-free streamlined agreement
72	Paper regular agreement
73	Paper streamlined agreement
74	Voice response unit (system generated)
75	Automated Collection Branch Regular
76	Automated Collection Branch Streamlined
77	Automated Collection Branch voice response unit regular (system generated)
78	Automated Collection Branch voice response unit streamlined (system generated)
80	Other function regular agreement
81	Other function streamlined agreement
82	On-line Payment Agreement, Notice Status
83	On-line Payment Agreement, ACS
90-99	Reserved for vendors-all streamlined agreements
98	Special Compliance Personnel (SCP) program

Exhibit 5.14.1-5 (12-23-2022)
Installment Agreement Table

Types of IAs	Guaranteed (IMF Only)	Streamlined	Streamlined (2)	IBTF Express	IBTF Express (2)	IBTF	Routine	Partial Payment
Amount	\$10,000 or less	\$25,000 or less	\$25,001 - \$50,000	\$10,000 or less	\$10,001 - \$25,000	Any Amount	Any Amount	Any Amount
Type of Tax	IMF Income Tax Only	IMF, BMF Income, OOB BMF	IMF, OOB Sole Proprietor	BMF Trust Fund	BMF Trust Fund	BMF Trust Fund	IMF, BMF Income, BMF OOB	Any
Payment Terms	Full pay in 3 years including accruals	Greater of UBA divided by 72 or full pay by CSED, whichever is earlier	Greater of UBA divided by 72 or full pay by CSED, whichever is earlier	Full Pay in 24 months including accruals	Full Pay in 24 months including accruals	Full Pay by CSED	Full Pay by CSED	None (Determine if CSED extension is appropriate)
CIS Required	No	No	No*	No	No	Yes**	Yes	Yes, Financial Review every 2 years
NFTL Determination Required	No	No	No	No	No	Yes	Yes	Yes
TFRP Determination	NA	No	No	No, but protect ASED****	No, but protect ASED****	Yes	Yes, If applicable	Yes, If applicable
DDIA Required	No	No	Yes	No	Yes	No	No	Yes if IA default in past 24 months
Extend CSED?	No	No	No	No	No	No	No	Up to 5 years plus 1 year if appropriate when an asset will come into possession of a taxpayer after the CSED expires
Must View Assets	No	No	No	No	No	Yes	Yes	Yes
Managerial Approval	No	No	No	Yes	Yes	Yes	Yes	Yes
Reference	IRM 5.14.5.3	IRM 5.14.5.2	IRM 5.14.5.2	IRM 5.14.5.4	IRM 5.14.5.4	IRM 5.14.7	IRM 5.14.9	IRM 5.14.2

- * Verification of ability to pay using SLIAC/CIS is not required unless the taxpayer has defaulted an IA for missed payments in the past 12 months

Exhibit 5.14.1-5 (Cont. 1) (12-23-2022)**Installment Agreement Table**

- ** Verification is not required for IBTF IAs up to \$25,000 that will full pay within 60 months, see IRM 5.14.7.4(6)
- **** Outstanding liabilities only include current and prior year liabilities and the IA will full pay all liabilities within 24 months

To identify accounts as a Pending IA, the taxpayer must:

- Provide sufficient information to identify the taxpayer
- Identify the liability to be covered by the IA
- Propose a monthly or other periodic payment of a specified amount
- Be in compliance with all filing requirements
- If the taxpayer is identified as a BMF pyramider, must be in compliance with all FTD requirements
- Not be in bankruptcy (unless eligible for guaranteed IA for post-petition liabilities)
- Provide for the full payment of the liability by the CSED date in the case of a Restitution Based Assessment