



Fact Sheet

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The Collection Process

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Most taxpayers file tax returns and pay what they owe on time. If a taxpayer does not pay, the Internal Revenue Service sends the taxpayer a bill. This begins the collection process. Along with the bill, which is called a notice, the IRS automatically sends Publication 1, *Your Rights as a Taxpayer*, and Publication 594, *Understanding the Collection Process*. These publications explain the various options and rights taxpayers have in dealing with the IRS.

Every taxpayer has the right to prompt service and to be treated fairly, professionally, and courteously by IRS employees. The IRS has trained its collection personnel to ensure that taxpayer rights are protected and respected according to the Internal Revenue Code and the Taxpayer Bill of Rights.

Taxpayers who are unable to pay what they owe and those taxpayers who question the accuracy of their tax bill should contact the IRS as soon as possible. Taxpayers may call, write, or visit the IRS:

- Call the phone number on the bill or 1-800-829-1040.
- Write to the office that sent the bill at the address on the bill.
- Visit the nearest IRS office

Some taxpayers believe they cannot pay what they owe. However, taxpayers should consider liquidating assets (such as bank accounts, financial investment accounts, cars, boats, real estate, life insurance, 401(k) plan, etc.) in order to satisfy their accounts. Taxpayers should also attempt to get a loan, if possible, to pay what they owe. Loan costs may be lower than the combination of interest and penalties imposed by the Internal Revenue Code. To see an example, see [How Full Payment of Taxes Saves Money](#) on IRS.gov.

When a taxpayer believes their bill is inaccurate, they should contact the IRS to discuss why they disagree with the bill. Taxpayers may call, write, or visit the local office for assistance.

- Individuals may call 1-800-829-1040.
- Business taxpayers may call 1-800-829-4933.
- Practitioners may call the Practitioner Priority Service at 1-866-860-4259

In order to assist the IRS in resolving a problem, taxpayers should include a copy of the bill with any correspondence. Taxpayers may also provide copies of any documentation necessary to help the IRS resolve the disagreement. (Taxpayers should retain their original documents and provide copies to the IRS.) Documentation may allow the IRS to adjust the

account to resolve the disputed bill. Documentation can include copies of records or other information such as canceled checks or money orders.

The IRS recognizes that sometimes taxpayers are unable to pay. Taxpayers who are unable to pay what they owe should contact the IRS as soon as possible. There are a number of payment solutions the IRS may be able to offer to the taxpayer including:

- Extension of Time to Pay – Taxpayers may be eligible for a short extension of time to pay of up to 120 days. Taxpayers should request an extension if they would be able to pay their taxes in full within the extended timeframe.
- Installment Agreement – In 2004, the IRS permitted 2.5 million taxpayers to pay their tax bills in monthly payments. Installment agreements paid by direct deposit from a bank account or payroll deduction from wages will help avoid agreement default by ensuring timely payments and will reduce the burden of mailing payments and save postage costs.
- Delaying Collection – If the IRS determines that a taxpayer is unable to pay, it may delay collection until the taxpayer's financial condition improves.
- Offer in Compromise – Some taxpayers are able to settle their tax bill for less than the amount they owe by submitting an Offer in Compromise (OIC). However, the criteria for accepting an offer are strict and relatively few offers are accepted each year.

During the collection process, even if a taxpayer works out a payment solution with the IRS, the IRS may have to file a Notice of Federal Tax Lien to secure the government's interest. The lien is required by law to establish priority as a creditor in competition with other creditors in certain situations, such as bankruptcy proceedings or sales of real estate. Once a lien is filed, it may appear on a taxpayer's credit report and it may harm a taxpayer's credit rating. Therefore, it is important that a taxpayer work to resolve a tax liability as quickly as possible, before lien filing becomes necessary. Once a lien is filed, the IRS generally cannot issue a Certificate of Release of Federal Tax Lien until the taxes, penalties, interest and recording fees are paid in full.

When the IRS sends a bill to a taxpayer, if the taxpayer does not respond to the first notice or subsequent notices, the account becomes delinquent. Delinquent accounts may be turned over to the Automated Collection System (ACS) or to the Collection Field function (CFf). ACS personnel will contact the taxpayer by telephone to attempt to work out an agreeable payment solution. If the delinquent account requires field contact, a revenue officer will try to resolve the account with the taxpayer.

IRS employees want to help taxpayers work out an appropriate payment solution. If the taxpayer does not cooperate, the IRS may take enforced collection action. Enforcement action could include serving a notice of levy to attach taxpayer income or assets such as bank accounts. In some cases, the IRS will take enforcement action by seizing and selling property. The IRS takes these actions only after giving the taxpayer an opportunity to

voluntarily pay the debt, make arrangements to pay, or supply information to show that payment would create hardship.

If the IRS pursues enforcement action, the taxpayer still has options. After the IRS files a Notice of Federal Tax Lien, and prior to the Service initiating levy action, a taxpayer is given the opportunity to request a hearing with the Office of Appeals. The taxpayer also has a right to appeal certain other collection actions. For example, if the taxpayer's request for an installment agreement is denied, the taxpayer has a right to appeal that determination. Each taxpayer subject to enforcement action receives Publication 1660, *Collection Appeal Rights*. This publication explains a taxpayer's right to make an appeal and the procedures for requesting an appeal.

At any time before or during collection action, a taxpayer who believes a pending collection action will create a significant hardship may apply for relief by submitting Form 911, *Application for Taxpayer Assistance Order (ATAO)*. The Office of the Taxpayer Advocate will review the application, and if appropriate, take steps to resolve the taxpayer's problem with the IRS to relieve the hardship.

Taxpayers will find an abundance of helpful information on IRS.gov. The site offers various search options including keyword searches and tax forms and publications are available on line. Find information about filing and paying taxes by entering the keywords: *filing late* or *paying late*.

The IRS encourages taxpayers to pay what they owe as quickly as possible. Taxpayers may pay taxes by electronic funds transfer, credit card, check, money order or cash according to the following procedures:

- Taxpayers should take advantage of the Electronic Federal Tax Payment System (EFTPS) to pay by electronic funds transfer or credit card. See Publication 966, Web site www.eftps.gov or call 1-800-555-4477 or 1-800-945-8400.
- Taxpayers may also initiate a credit card payment, without enrolling in EFTPS, through either one of two official vendors:
 - Official Payments Corporation at 1-800-2PAYTAX (1-800-272-9829) or www.officialpayments.com, or
 - Link2Gov at 1-888-PAY1040 (1-888-729-1040) or www.pay1040.com.
- Taxpayers may pay by check or money order payable to the United States Treasury (or U.S. Treasury) either in person or through the mail.
- Taxpayers should only pay by cash during an in-person transaction with an IRS employee. Taxpayers should not send cash through the mail.