

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroom

Public Contact: 800.829.1040

IRS Announces New Effort to Help Struggling Taxpayers Get a Fresh Start; Major Changes Made to Lien Process

IR-2011-20, Feb. 24, 2011

WASHINGTON — In its latest effort to help struggling taxpayers, the Internal Revenue Service today announced a series of new steps to help people get a fresh start with their tax liabilities.

The goal is to help individuals and small businesses meet their tax obligations, without adding unnecessary burden to taxpayers. Specifically, the IRS is announcing new policies and programs to help taxpayers pay back taxes and avoid tax liens.

“We are making fundamental changes to our lien system and other collection tools that will help taxpayers and give them a fresh start,” IRS Commissioner Doug Shulman said. “These steps are good for people facing tough times, and they reflect a responsible approach for the tax system.”

Today’s announcement centers on the IRS making important changes to its lien filing practices that will lessen the negative impact on taxpayers. The changes include:

- Significantly increasing the dollar threshold when liens are generally issued, resulting in fewer tax liens.
- Making it easier for taxpayers to obtain lien withdrawals after paying a tax bill.
- Withdrawing liens in most cases where a taxpayer enters into a Direct Debit Installment Agreement.
- Creating easier access to Installment Agreements for more struggling small businesses.
- Expanding a streamlined Offer in Compromise program to cover more taxpayers.

“These steps are in the best interest of both taxpayers and the tax system,” Shulman said. “People will have a better chance to stay current on their taxes and keep their financial house in order. We all benefit if that happens.”

This is another in a series of steps to help struggling taxpayers. In 2008, the IRS announced lien relief for people trying to refinance or sell a home. In 2009, the IRS added new flexibility for taxpayers facing payment or collection problems. And last year,

the IRS held about 1,000 special open houses to help small businesses and individuals resolve tax issues with the Agency.

Today's announcement comes after a review of collection operations which Shulman launched last year, as well as input from the Internal Revenue Service Advisory Council and the National Taxpayer Advocate.

Tax Lien Thresholds

The IRS will significantly increase the dollar thresholds when liens are generally filed. The new dollar amount is in keeping with inflationary changes since the number was last revised. Currently, liens are automatically filed at certain dollar levels for people with past-due balances.

The IRS plans to review the results and impact of the lien threshold change in about a year.

A [federal tax lien](#) gives the IRS a legal claim to a taxpayer's property for the amount of an unpaid tax debt. Filing a Notice of Federal Tax Lien is necessary to establish priority rights against certain other creditors. Usually the government is not the only creditor to whom the taxpayer owes money.

A lien informs the public that the U.S. government has a claim against all property, and any rights to property, of the taxpayer. This includes property owned at the time the notice of lien is filed and any acquired thereafter. A lien can affect a taxpayer's credit rating, so it is critical to arrange the payment of taxes as quickly as possible.

"Raising the lien threshold keeps pace with inflation and makes sense for the tax system," Shulman said. "These changes mean tens of thousands of people won't be burdened by liens, and this step will take place without significantly increasing the financial risk to the government."

Tax Lien Withdrawals

The IRS will also modify procedures that will make it easier for taxpayers to obtain lien withdrawals.

Liens will now be withdrawn once full payment of taxes is made if the taxpayer requests it. The IRS has determined that this approach is in the best interest of the government.

In order to speed the withdrawal process, the IRS will also streamline its internal procedures to allow collection personnel to withdraw the liens.

Direct Debit Installment Agreements and Liens

The IRS is making other fundamental changes to liens in cases where taxpayers enter into a Direct Debit Installment Agreement (DDIA). For taxpayers with unpaid assessments of \$25,000 or less, the IRS will now allow lien withdrawals under several scenarios:

- Lien withdrawals for taxpayers entering into a Direct Debit Installment Agreement.
- The IRS will withdraw a lien if a taxpayer on a regular Installment Agreement converts to a Direct Debit Installment Agreement.
- The IRS will also withdraw liens on existing Direct Debit Installment Agreements upon taxpayer request.

Liens will be withdrawn after a probationary period demonstrating that direct debit payments will be honored.

In addition, this lowers user fees and saves the government money from mailing monthly payment notices. Taxpayers can use the Online Payment Agreement application on IRS.gov to set-up with Direct Debit Installment Agreements.

“We are trying to minimize burden on taxpayers while collecting the proper amount of tax,” Shulman said. “We believe taking away taxpayer burden makes sense when a taxpayer has taken the proactive step of entering a direct debit agreement.”

Installment Agreements and Small Businesses

The IRS will also make streamlined Installment Agreements available to more small businesses. The payment program will raise the dollar limit to allow additional small businesses to participate.

Small businesses with \$25,000 or less in unpaid tax can participate. Currently, only small businesses with under \$10,000 in liabilities can participate. Small businesses will have 24 months to pay.

The streamlined Installment Agreements will be available for small businesses that file either as an individual or as a business. Small businesses with an unpaid assessment balance greater than \$25,000 would qualify for the streamlined Installment Agreement if they pay down the balance to \$25,000 or less.

Small businesses will need to enroll in a Direct Debit Installment Agreement to participate.

“Small businesses are an important part of the nation’s economy, and the IRS should help them when we can,” Shulman said, “By expanding payment options, we can help small businesses pay their tax bill while freeing up cash flow to keep funding their operations.”

Offers in Compromise

The IRS is also expanding a new streamlined Offer in Compromise (OIC) program to cover a larger group of struggling taxpayers.

This streamlined OIC is being expanded to allow taxpayers with annual incomes up to \$100,000 to participate. In addition, participants must have tax liability of less than \$50,000, doubling the current limit of \$25,000 or less.

OICs are subject to acceptance based on legal requirements. An [offer-in-compromise](#) is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. Generally, an offer will not be accepted if the IRS believes that the liability can be paid in full as a lump sum or through a payment agreement. The IRS looks at the taxpayer's income and assets to make a determination regarding the taxpayer's ability to pay.

Related Items:

- IRS Begins Tax Season 2009 with Steps to Help Financially Distressed Taxpayers; Promotes Credits, e-File Options ([IR-2009-2](#))
- IRS Speeds Lien Relief for Homeowners Trying to Refinance, Sell ([IR-2008-141](#))