



INTERNAL REVENUE SERVICE

Working with the IRS

*How to work with a Revenue Officer
and resolve your collection problems*



Working with the IRS: A “How-To” Guide for Taxpayers

- You have received this presentation because you have an unresolved tax problem and may be contacted by a Revenue Officer.

- This interactive presentation was designed to give you a basic overview of:
 - How the IRS collection process works.
 - How to work with your Revenue Officer.
 - What must be done to resolve your case with the Internal Revenue Service successfully, fairly and quickly.

 - The IRS collection process can take **six months or longer**; we want to work with you to shorten this process as much as possible.

- For more information look at [Publication 594 – The Collection Process.](#)

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Knowing the IRS: What is a Revenue Officer

- You have been contacted by a Revenue Officer because you have an outstanding tax liability and/or unfiled tax returns due to the Internal Revenue Service. Revenue Officers work for the Collection Field Function of the Internal Revenue Service. The job of the Revenue Officer is to resolve your tax problem **and** protect the public's interest in the process.
- Revenue Officers are highly trained and work within a framework of rules, regulations and laws that have been developed to assist in the resolution of your case and protect your rights at the same time.
- Revenue Officers are legally empowered to enforce the tax laws of the United States of America.

Knowing the IRS: What is Field Collection

- Revenue Officers may contact you at your home, place of business or conduct research including contacting neighbors, clients and associates.
- Field Collection involves the steps the Revenue Officer must take in order to resolve your case.
- The easiest and most efficient way to resolve your case is to work with the Revenue Officer during their investigation. To accomplish this, it is critical to develop an open line of communication with the Revenue Officer. It is important to provide the Revenue Officer with the information they request and to meet deadlines.

Knowing the IRS: Your Responsibilities in the Collection Process

- Respond to the Revenue Officer requests within the established deadlines. If problems arise that may delay your ability to meet a deadline, contact the Revenue Officer **before** the deadline expires.
- It is in your best interest to get your collection case resolved as quickly as possible because penalties and interest continue to accrue until your case is resolved.

Knowing the IRS: The Revenue Officers' Responsibilities

- It is the duty of the Revenue Officer to treat you in a fair, professional, and courteous manner.
- The Revenue Officer will keep you informed during the collection process. You can expect timely responses to your inquiries, you can be notified of receipt of requested information and you will be kept updated on the status of your case.
- The Revenue Officer is responsible to take enforcement action if you fail to timely respond to their requests.

Knowing the IRS: What is Enforcement Action

Your Revenue Officer is also required to inform you of potential enforcement action which may be taken in an attempt to resolve your case. These actions may include:

- [Filing a Notice of Federal Tax Lien \(NFTL\)](#)
- [Taking Levy Action](#)
- [Summoning Information](#)
- [Preparing and Submitting Tax Returns on Your Behalf](#)
- [Seizure of Taxpayer Property](#)
- [Liquidation Specialist will Auction Your Seized Assets](#)

Missed deadlines, not sending, or sending incomplete information are all reasons that will cause the Revenue Officer to take enforcement action.

Getting Started: The Initial Contact

- Upon initial contact, the Revenue Officer is required to inform you of your rights as a taxpayer and will provide Publication 1 - Your Rights as a Taxpayer . The Revenue Officer will demand full payment on any unpaid tax liabilities and attempt to secure delinquent tax returns.
- You may want someone to represent you during the Collection Process. In order for the Revenue Officer to discuss your case with a representative, you must complete, sign and submit Form 2848 – Power of Attorney.
- If you are unable to pay your tax liabilities in full, the Revenue Officer must determine the best way to resolve your case. Some alternatives include:
 - Short-term extension to pay
 - Installment Agreement
 - Offer-in-Compromise
 - Close your case as Currently Not Collectible based on your financial condition

Getting Started: The Initial Contact

- The Revenue Officer will provide a “contact checklist” – Form 9297, which identifies information and returns needed to make appropriate decisions on your case.
- In order to determine the best way to resolve your case, the Revenue Officer will need a completed Collection Information Statement. The Revenue Officer will request you provide one for yourself, spouse and business if applicable. It is extremely important that every item on the statement be addressed and in most cases, you will need supporting documentation to prove the amounts are accurate.
- The Revenue Officer will review your filing and payment history.
- The Revenue Officer is required to observe your business operations if business taxes are owed.

Getting Started: Tax Returns

- If the Revenue Officer is requesting that you to file tax returns, you must file with them or provide evidence you have already done so (and provide them copies), or establish that you do not have a filing requirement.
- If you have trouble obtaining needed documentation to complete your tax returns, discuss this with the Revenue Officer. They may be able to assist you in securing the information.
- If you fail to provide the required returns, the Revenue Officer has the authority to prepare and submit returns on your behalf based on information the Internal Revenue has or may secure.
- Questions about filing requirements or to secure most forms, schedules and publications go to our website at www.irs.gov

Getting Started: How Your Tax Liability is Computed

- The balance due on your account is comprised of your tax liability which includes your unpaid tax plus any applicable penalties and interest.
- Some penalties are assessed when the return is filed, while the Failure to Pay penalty accrues (increases) for a period of time after the return is filed.
- Interest on the unpaid balance, including penalties, continues to increase until the balance is paid in full. The interest rate charged is variable, and may change every quarter.
- Interest can not be abated. The interest rate charged is variable and is prescribed by law. If there is a change in tax due, the interest will adjust accordingly.
- Certain penalties may be abated if you can show reasonable cause such as prolonged illness or natural disaster.

Getting Started: The Collection Information Statement

- Collection Information Statements are tools used by the Revenue Officer to determine if you have the ability to pay your tax debt. It is extremely important that every item on the statement be answered and in most cases, you will need supporting documentation to prove the entries are accurate.

- The Collection Information Statements enables your Revenue Officer to:
 - Analyze your assets and liabilities to determine if any assets can liquidated or borrowed against to pay the tax liability.

 - Analyze your income and expenses to determine your ability to make monthly payments.

Getting Started: Paying Your Account

- If the Revenue Officer determines that you can pay your account in full, do so immediately and avoid additional penalties, interest or the possibility of enforcement action.
- If the Revenue Officer determines that you cannot pay your debt in full, they will discuss the various payment options available to you, however you must be in compliance with all filing and depositing requirements to be eligible for a payment plan.
- The Revenue Officer will need to determine if a Federal Tax Lien will be filed. This is generally based on the amount that is owed and the length of time required to satisfy the tax debt.

Getting Started: Unable To Full Pay Your Account

- The Revenue Officer will also need to decide what would be the best method to resolve your case. Some alternatives include:
 - Short term extension: allows you with some additional time to pay in full.
 - Installment agreement: allows you to enter into a payment plan.
 - Offer-in-Compromise: allows you to satisfy your debt for less than what is owed.
 - Identify your case as “Currently Not Collectible”: determined that you are unable to pay your liability now or in the immediate future. The case will be reviewed periodically and may be reopened if your financial condition improves.

Getting Started: Making Payments

- It is important that all payments are received timely or you will default on the payment plan and collection activity will resume on your case.
- Payments or deposits on current liabilities should be made timely and in the normal process with proof of payment being provided to the Revenue Officer.
- Payments should be made directly to the Revenue Officer until you are advised otherwise.
- The Internal Revenue Service accepts cash, check, payroll deductions, electronic funds (EFTPS) and credit card payment in some cases.
- Click on link for information on:
 - [EFTPS – Electronic Federal Tax Payment System](#)
 - [Credit Card payment program](#)

Getting Started: Trust Fund Taxes and Liability

- If you are a business taxpayer with liabilities for unpaid employment taxes (Form 941) you and/or others may be personally liable for the trust fund portion of the unpaid taxes. This is called the Trust Fund Recovery Penalty.
- The Trust Fund portion is the amount that was actually withheld from the employee's payroll, it does not include the employer matching portion of the Social Security or Medicare Taxes.
- The Revenue Officer will conduct an interview with you to determine who is responsible for being assessed the Trust Fund Recovery Penalty.

If You Disagree

- If you do not agree with any action or determination the Revenue Officer has made, you should first ask the Revenue Officer to re-explain why they took a particular action or made a certain decision.
- If you still do not understand or agree with the Revenue Officer, you should: request a conference be scheduled with the Revenue Officer's manager.
- If the conference with the manager is unsuccessful, you have other appeal rights which you can decide to pursue. Ask the Revenue Officer to explain these options.

Prevention

- Some preventative actions can be mandated, such as having you increase your withholding or if you operate a business, requiring you to make more frequent deposits into a special account. They can even require you to file your quarterly returns on a monthly basis.
- Other actions can be recommendations such as advising you to reduce inventories, cut back on wages or suggest bankruptcy as an alternative.

Working With The IRS – Helpful Hints

- Be responsive to phone calls and letters.
- Provide requested forms, documents, and support documents in a complete and timely fashion.
- Do not miss deadlines. If unavoidable, contact the Revenue Officer before the deadline expires, explain the situation.
- During the course of working with the Revenue Officer, it is imperative that you remain in compliance with all depositing, filing and payment requirements.

Working With The IRS - Additional Information for Business and Individual Taxpayers

Learn more about taxation and your responsibilities.

- Visit the Internal Revenue Service website at www.irs.gov
- To learn more about your individual taxes: Understanding Taxes
- To learn more about small business taxation: Small Business Tax Workshop
- Tax Calendar for your tax obligations: Small Business Tax Calendar
- Employers Tax Guide - Publication 15

Key Terms

- **Collection Appeals Program** – Taxpayers have the right to appeal certain actions taken or proposed by the Revenue Officer. Refer to Publication 1660, *Collection Appeal Rights* to review these appeal rights.
- **Collection Due Process** – Taxpayers can request a hearing with the IRS Appeals function if they receive a Notice of Intent to Levy, or if a Notice of Federal Tax Lien has been filed against them. Refer to Publication 1660, *Collection Appeal Rights* to review these appeal rights.
- **Collection Field Function (Field Collection)** – IRS organization that resolves tax collection issues through in-person contact between the taxpayer and a Revenue Officer.
- **Collection Information Statement for Individual Form 433A** – Form used by the Revenue Officer to determine how much a taxpayer can pay toward their tax debt. Taxpayers will need to provide information on their assets, liabilities, income and necessary living expenses.

Key Terms

- **Collection Information Statement for Business Form 433B** – Form used by the Revenue Officer to determine how much a business taxpayer can pay toward their tax debt.
- **Currently Not Collectable** – A determination that the taxpayer is not able to pay anything on the tax liability at this time. While the case is no longer actively worked by a Revenue Officer, the account may be reviewed periodically to determine if the taxpayer's financial condition has improved. When making a Currently Not Collectable determination, a Federal Tax Lien is usually filed and recorded to protect the governments interest.
- **Documentation** – Records (i.e. copies of cancelled checks, pay stubs, bills, bank statements, loan or trust documents) used to verify the entries on a Collection Information Statement.

Key Terms

- **EFTPS (Electronic Funds Transfer Payment System)** – Alternative to paying taxes with cash, a check or money order, allows for online payments 24 hours a day, 7 days a week.
- **Enforcement Action** – Revenue Officers are empowered to enforce the tax laws of the United States of America. Enforcement could include such actions as filing a Notice of Federal Tax Lien, Levying bank accounts and wages, the Seizure of property including real estate and automobiles and preparing tax returns for taxpayers who fail or refuse to file.
- **Filing a Notice of Federal Tax Lien** – A tax lien establishes a protected claim by the government against the taxpayer's assets. When filed, it is a public record of the tax debt and will appear on the taxpayer's credit report.

Key Terms

- **Installment Agreement** – an agreement between the taxpayer and the Internal Revenue Service to pay the balance of the tax liability. The terms of the agreement are based on the information provided in the collection information statement(s).
- **Interest** – An amount added to the tax balance until it is paid in full. Interest is added daily at a rate that is set by law and can change every 3-months.
- **IRC 6020B action / Substitute for Return** – Revenue Officers can prepare tax returns for taxpayers who fail or refuse to file. When this is done, the taxpayer is generally not afforded the benefits of deductions or exemptions which could result in a larger tax liability than if the taxpayer prepared their own return.

Key Terms

- **Levy** – A levy is used to take money or assets in order to satisfy a tax debt. Levies are most commonly issued to a taxpayer's bank or employer, but can also be used for other assets such as accounts receivable. To avoid a levy, taxpayers should comply with the instructions of the Revenue Officer assigned to their account.
- **Offer-in-Compromise** – An acceptable Offer-in-Compromise allows the taxpayer to pay a lesser amount to satisfy their tax debt. The acceptable amount is determined by an in-depth review of financial statements. Not all taxpayers will qualify for this method of case resolution. Refer to Form 656 for more information on the Offer in Compromise program.
- **Penalties** – are added to an account for failing to meet certain tax obligations timely. Common penalties are: Failure to Pay, Failure to File and Failure to Deposit. The Revenue Officer can explain which, if any, penalties have been added to the account and how they are computed.

Key Terms

- **Power of Attorney – Form 2848** – Taxpayers have the right to have someone represent them when dealing with the Internal Revenue Service. To designate a representative, the taxpayer must complete Form 2848 – Power of Attorney, which authorizes the Internal Revenue Service to discuss the tax issues with the representative.
- **Publication 1 / Taxpayer Rights** – Your rights as a taxpayer are described in IRS Publication 1. The Revenue Officer is required to ensure that taxpayers have received this information and to answer any questions about taxpayer rights that may arise.
- **Revenue Officer** – Internal Revenue Service employees responsible for resolving past due tax accounts. While their primary goal is to work with taxpayers to reach a resolution, they are empowered to enforce the tax laws if necessary.

Key Terms

- **Seizure** - is the legal action used to take the “right”, “title” and “interest” the taxpayer has in an asset.
- **Short-term extension to pay** – an alternative to immediate full payment of the tax debt that may be granted if the taxpayer needs additional time to get the money to pay the taxes in full (i.e. to get a loan or sell an asset, etc).
- **Substitute for Return / IRC 6020B action** –Revenue Officers can prepare tax returns for taxpayers who fail or refuse to file. When this happens, the taxpayer is generally not afforded the benefits of deductions or exemptions which could result in a larger tax liability than if the taxpayer prepared their own return.
- **Summons** – is the legal action requiring someone to provide testimony, documents or records to the Internal Revenue Service.

Key Terms

- **Tax Liability** – amount of tax owed as a result of filing a tax return before applying payments, credits, deposits, penalties or interest.
- **Taxpayer Advocate Service** – independent organization within the IRS that provides assistance to taxpayers that have difficulty resolving their problems with the IRS.
- **Taxpayer Rights / Publication 1** – Your rights as a taxpayer are described in IRS Publication 1. The Revenue Officer is required to ensure that taxpayers have received this information and to answer any questions about taxpayer rights that may arise.
- **Trust Fund** – the portion of Employment and FICA Taxes that is withheld from the employee's earnings.
- **Trust Fund Recovery Penalty** – term used to identify the assessment of the unpaid Trust Fund portion of the Withholding Tax against an individual.

Knowing The IRS - Filing a Notice of Federal Tax Lien (NFTL)

- A Notice of Federal Tax Lien, is a notice that a Federal Tax Lien exists and is generally filed at the local recorders office where the taxpayer resides or property is located. It becomes public information and is available for anyone to see.
- Once filed, the government becomes a protected creditor and establishes an interest in all property the taxpayer has or will acquire while the lien is in effect.
- Taxpayers will not be able to sell real estate or other assets without first resolving an existing lien.
- Liens are picked up by the credit reporting agencies, and will appear on a taxpayer's credit report. Because of this, it may be difficult or impossible to get new credit once a lien is filed.



Knowing The IRS – Taking Levy Action

- A Levy is used to take a taxpayer's property to pay their tax debt.
- Levies can be either one-time or continuous.
- Proceeds from a continuous levy will be applied to the tax debt until it is paid in full.
- A levy attaches to any property, or right to property, owned by the taxpayer that is in the possession of the recipient of the levy.
- The most common types of levy that the IRS issues attach to:
 - Bank Accounts
 - Wages
 - Accounts Receivable



Knowing The IRS – Summoning Information

- A summons is similar to a subpoena and may be issued by a Revenue Officer in order to gather information needed to collect taxes owed or determine a taxpayer's income.
- Summonses may be issued to the taxpayer or to third parties for the production of books and records and/or testimony.
- Failure to appear and/or provide the information required by a summons could result in legal action.



Knowing The IRS – Preparing and Submitting Tax Returns on Your Behalf

- If you fail to submit a tax return, the Revenue Officer is empowered to create one on your behalf using information the service has or can create. However, in this process, you are not afforded any of the benefits of deductions, exemptions, or write-offs.
- Once a return is assessed, it becomes a valid balance due and unless payment is received, collection activity may start.
- These “created” returns can be changed to reflect your accurate tax position but to do so, you must file the original return.



Knowing The IRS – Seizure of Taxpayer Property

- Seizure action is a method used to take property in order to satisfy a tax debt.
- Seizures are generally the last option used by the IRS to collect unpaid taxes.
- Seizure of a taxpayer's house requires the approval of a Federal Judge.
- The IRS generally will not seize any asset that does not have equity.



Knowing The IRS – Seizure of Taxpayer Property

- The IRS can seize any asset that is owned by the taxpayer, including:
 - Real Estate (including a taxpayer's house)
 - Vehicles/Boats/Motorcycles, etc
 - Stock Certificates
 - Personal Property (jewelry, household furnishings/antiques/artwork, etc)
 - Business assets and equipment



Knowing The IRS - Liquidation Specialist will Auction Your Seized Assets

- Seized property is sold, generally at public auction, to the highest bidder and the net proceeds (after the costs of the seizure and sale) are applied to the tax debt.
- The auction is conducted by specially trained “Liquidation Specialist” who will attempt to maximize the proceeds received as a result of the auction.



