



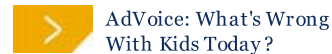
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IRS Revised Rules for Streamlined Installment Agreements

Robert McKenzie, Contributor

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The IRS recently relaxed its rules for payment of smaller tax liabilities. The revised procedures now allow taxpayers up to **72 months** to pay their tax obligations. The new procedures also increase the maximum amount subject to the relaxed streamlined agreements from **\$25,000 to \$50,000.**



Image by 401K via Flickr

You may request a monthly installment plan by submitting Form 9465-FS to if your liability is greater than \$25,000 but not more than \$50,000. Though Form 9465-FS is meant to be used by taxpayers with liabilities greater than \$25,000 but not more than \$50,000, it can be used by all taxpayers to request an installment

agreement. Generally, you can have up to 72 months to pay. In certain circumstances, you can have longer to pay or your agreement can be approved for an amount that is less than the amount of tax you owe.

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If you use 9465-FS you must file it on paper mailing it to the address shown below for your respective address. . If you have already filed your return and you are sending in Form 9465-FS on its own, mail it to the address shown below for the type of return filed. However, before requesting an installment agreement, you should consider other less costly alternatives, such as getting a bank loan or using available credit on a credit card.

Applying Online For a Payment Agreement.

If your balance due is not more than \$50,000, you can also apply online for a payment agreement instead of filing Form 9465-FS. To do that, go to IRS.gov and click on "More..." under .

The new rules for Form 9465-FS only to individuals who::

- Who owes income tax on Form 1040,
- Who may be responsible for a Trust Fund Recovery Penalty,
- Who was self-employed and owes self-employment or unemployment taxes and is no longer operating the business,
- Who is personally responsible for a partnership liability and the partnership is no longer operating, or
- Owner who is personally responsible for taxes in the name of a limited liability company (LLC) and the LLC is no longer operating.

Do not use Form 9465-FS if:

- You can pay the full amount you owe within 120. If you can pay the full amount you owe within 120 days, call 1-800-829-1040 to establish your request to pay in full. If you can do this, you can avoid paying the fee to set up an installment agreement. Instead of calling, you can apply online.
- You want to request an online payment agreement

Guaranteed installment agreement

Your request for an installment agreement cannot be turned down if the tax you owe is not more than \$10,000 and all three of the following apply.

- During the past 5 tax years, you (and your spouse if filing a joint return) have timely filed all income tax returns and paid any income tax due, and have not entered into an installment agreement for payment of income tax.
- The IRS determines that you cannot pay the tax owed in full when it is due and you give the IRS any information needed to make that determination.
- You agree to pay the full amount you owe within 3 years and to comply with the tax laws while the agreement is in effect.

Caution: A Notice of Federal Tax Lien may be filed to protect the government's interests until you pay in full.

How the Process Works

IRS will usually let you know within 30 days after IRS receive your request whether it is approved or denied. However, if this request is for tax due on a return you filed after March 31, it may take us longer than 30 days to reply. If

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IRS approves your request, IRS will send you a notice detailing the terms of your agreement and requesting a fee of \$105 (\$52 if you make your payments by electronic funds withdrawal). However, you may qualify to pay a reduced fee of \$43 if your income is below a certain level. The IRS will let you know whether you qualify for the reduced fee. If the IRS does not say you qualify for the reduced fee, you can request the reduced fee using Form 13844, Application For Reduced User Fee For Installment Agreements.

You will also be charged interest and may be charged a late payment penalty on any tax not paid by its due date, even if your request to pay in installments is granted. Interest and any applicable penalties will be charged until the balance is paid in full. Current interest rates are 3% per annum and you also will be charged a late payment penalty of 1/4% per month.

By approving your request, IRS agrees to let you pay the tax you owe in monthly installments instead of immediately paying the amount in full. In return, you agree to make your monthly payments on time. You also agree to meet all your future tax liabilities. This means that you must have enough withholding or estimated tax payments so that your tax liability for future years is paid in full when you timely file your return. Your request for an installment agreement will be denied if all required tax returns have not been filed. Any refund due you in a future year will be applied against the amount you owe. If your refund is applied to your balance, you are still required to make your regular monthly installment payment.

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