



# Settling Tax Debt: Overview, Collections and Installments

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Course #3131A

Taxes

2 Credit Hours

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# SETTLING TAX DEBT: OVERVIEW, COLLECTIONS AND INSTALLMENTS

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This course covers major tools that can be used to settle tax debts with the IRS. Topics include: the 'Fresh Start' initiative, methods of federal tax debt collection, and installment agreements.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

**Introduction to Settling with the IRS**  
**The IRS Collection Process**  
**Installment Agreements**

Study the course materials from pages 1 to 44

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

### Objectives:

- Recognize the impact of the "fresh start" initiative.
- Recognize the various methods the IRS may use to collect federal tax debts
- Identify qualifications for filing an Installment Agreement with the IRS

### NOTICE

This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

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Program publication date 12/21/2018

## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# CHAPTER 1: INTRODUCTION TO SETTLING WITH THE IRS

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## Chapter Objective

### After completing this chapter, you should be able to:

- Recognize the impact of the “fresh start” initiative.

## I. COURSE OVERVIEW

I am sure that most of you have heard the following type of commercials on one of your favorite radio stations:

*I was tens of thousands of dollars in debt to the IRS. I could not sleep at night and was stressed all of the time. Finally, I called XYZ Tax Resolution Center and they settled my debt for pennies on the dollar. My only regret is that I did not call sooner. Do yourself a favor and call XYZ Tax Resolution Center today.*

These types of claims and commercials have become so prevalent that both the IRS and the Consumer Financial Protection Bureau are considering oversight of this portion of the financial services industry. Concerns have developed based on requirements of large “up front” fees and frequent failures to settle debts based on promised terms. The Federal Trade Commission and state attorneys general also have won some high-profile cases against tax debt firms in recent years.

The fact is that there is an industry dedicated to help taxpayers resolve cases with the IRS. For many taxpayers, hiring a CPA, an enrolled agent (EA), or attorney or resolution company may make sense. For others, it does not. The fact remains, however, that there are a variety of mechanisms in place for taxpayers to resolve disputes, including entering into settlement agreements, appealing IRS assessments and seeking relief as an innocent spouse. There are a variety of problems a taxpayer can have and a variety of ways to try to resolve them.

The following is taken verbatim from the website of one company actively involved in resolving claims with the IRS:

## Back Taxes: Settle Tax Debt and IRS Problems

### ***Owe IRS Back Taxes?***

Whether the IRS is demanding full payment of back taxes up-front or a payment plan that is substantially higher than what you can afford to pay, we can negotiate an offer in compromise settlement on your behalf for a fraction of what is owed or to set up an arrangement for the lowest possible monthly payment with various options for making those payments, if you qualify.

Don't be afraid of the IRS anymore. Get tax relief fast from the nation's leading expert in resolving back taxes and IRS problems.

Even if you can't afford to pay your back taxes, a Certified Tax Resolution Specialist, tax attorney, enrolled agent, or CPA, can give you the help you need to settle your IRS debt.

If you owe back taxes or if you've been threatened with an IRS levy, lien, seizure or the denial or termination of an installment agreement, let us represent you and put an end to your IRS problems! We can help you file an IRS Collection Appeal to stop an IRS levy or seizure.

### ***Check out these tax resolution strategies that can help you resolve your back taxes:***

If you owe less than \$10,000 in back taxes: If you have a clean IRS record and all your tax returns are filed - you can call the IRS directly and they can (it's guaranteed) arrange a payment plan to be paid in 36 monthly installments.

If you owe \$10,000 or more in back taxes: You will want to partner with a Certified Tax Resolution Specialist or a tax attorney to increase your chances of qualifying for an IRS payment plan, helping you settle your back tax debt for the lowest possible amount, and removing bank levies, tax liens or wage garnishments.

### ***Offer in Compromise***

If you can't afford to pay your back taxes in full, the Offer in Compromise program provides taxpayers who owe the IRS more than they could ever afford to pay, the opportunity to pay a small amount as a full and final payment. Taxpayers who attempt to file for an Offer in Compromise on their own often put themselves at risk of not qualifying for a settlement or they end up paying more than they have to.

### ***IRS Payment Plans***

If you can't pay your back taxes in full but could potentially pay them back over time, you can negotiate a reasonable monthly payment plan with the IRS. Once an IRS Payment Plan (also known as an Installment Agreement) is established, the IRS will not enforce collection action, including the levy of bank accounts or wages, as long as the taxpayer remains current with all filing and payment obligations.

## **Back Taxes: Settle Tax Debt and IRS Problems (continued)**

### ***Delinquent Tax Returns***

To qualify for an IRS payment plan or Offer in Compromise tax settlement to resolve your back taxes, you need to file all delinquent tax returns with the IRS. Regardless of what you have heard, you have the right to file your original tax return, no matter how late it's filed. Until you have filed all legally required tax returns, the IRS will not entertain any type of tax settlement or payment plan to settle your back taxes.

### ***Expiration of Back Taxes: Statute of Limitations on IRS Collections***

This can be one of the most effective ways to eliminate back taxes, especially if they have been assessed against you years ago. The IRS is prohibited, by law, from collecting on expired back taxes. Generally, the IRS has 10 years from the date of assessment (usually close to the filing date or audit assessment date) to collect back taxes. An expert tax attorney, CPA, EA, or Certified Tax Resolution Specialist can help resolve your back taxes and other IRS problems by performing a Collection Statute Expiration Date (CSED) analysis. We can determine on what day you will be free of this obligation. We accomplish this by obtaining and analyzing your IRS Tax Transcripts and Records of Account. If the expiration date is nearing, many times it is advantageous to the consumer to just "do nothing." However, you need an expert to guide you through this process due to the many exceptions and obstacles that can get in the way.

### ***IRS Bankruptcy Filing for Discharging Back Taxes and IRS Debt***

As a last resort for resolving back taxes, you can file for bankruptcy if the IRS rejects your IRS Payment Plan or Offer in Compromise. However, only a seasoned tax attorney, CPA, EA, or Certified Tax Resolution Specialist can provide tax help to show you the proper sequence of events to declare bankruptcy and completely eliminate all of your back taxes, if you are eligible.

### ***Offshore Bank Accounts: IRS Tax Settlements***

If you owe back taxes on undeclared funds in overseas bank accounts, being proactive about disclosing your foreign funds can help reduce your chances of criminal prosecution, minimize severe IRS penalties and work out a structured IRS payment plan. If you believe that you owe back taxes on your foreign accounts, you will need a tax attorney or certified tax resolution specialist to provide professional tax help and experienced representation to proceed in your best interest.

### ***Innocent Spouse Tax Relief***

If you owe back taxes due to your spouse's (or ex-spouses) actions, you may be eligible to obtain tax relief by qualifying as an innocent spouse. This means that if you can prove you are an innocent spouse, as defined by the Internal Revenue Code, the IRS can relieve you of this debt and obtain tax relief, you may not be subject to the taxes caused by their spouses or ex-spouses.