

OWE THE IRS?

Your Ultimate Guide to Beating Tax Debt

Breaking down the IRS collection process, notices, penalties, and your options to stop enforcement before it's too late.



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What If You Disagree With the Tax Debt?



Introduction

If you've ever received an IRS notice or felt anxiety about unpaid taxes, you're not alone. Every year, millions of Americans face IRS collections. Here's the good news: knowledge is power, and action is even more powerful. This guide outlines everything you need to know about the IRS collections process: when it starts, what they can do, and most importantly, how to protect yourself and get back into compliance with the IRS.

The IRS has unparalleled collection powers compared to nearly any other entity in the country, but if you know what to expect and understand your options, you can get back into compliance and avoid the pain of involuntary collections.

The team at Wiggam Law has handled hundreds of cases just like yours, but we understand that you are a unique individual with your own financial concerns. We leverage our deep knowledge of the IRS tax code and collection processes to customize lasting solutions for each client.





"Wiggam Law handled my case with the utmost professionalism, and I am extremely satisfied with the outcome.

Throughout the process, their communication was outstanding. They were always accessible and responsive to my questions, ensuring that I was kept informed every step of the way. Their transparency and dedication to my tax case made me feel like a valued client.

I would highly recommend Wiggam Law to anyone in need of tax-related legal services. Their expertise and attention to detail are second to none, and I felt confident that my case was in good hands."

-S. B. Google Review



"I was terrified and unable to figure out how to get my tax matter resolved FOR YEARS. Id hired two other CPAs and spent THOUSANDS with no resolve. I was frustrated, untrusting and scared that any day now garnishments would begin. Once I met team Wiggam (I was still low key untrusting).... They took care of my angst & fear, empowered me with information and reduced a \$26k state tax situation to \$3k!! I've never felt so FREE! Trust reinstated!! THANK YOU TEAM WIGGAM!! Stop being scared and stressed.... Call them!"

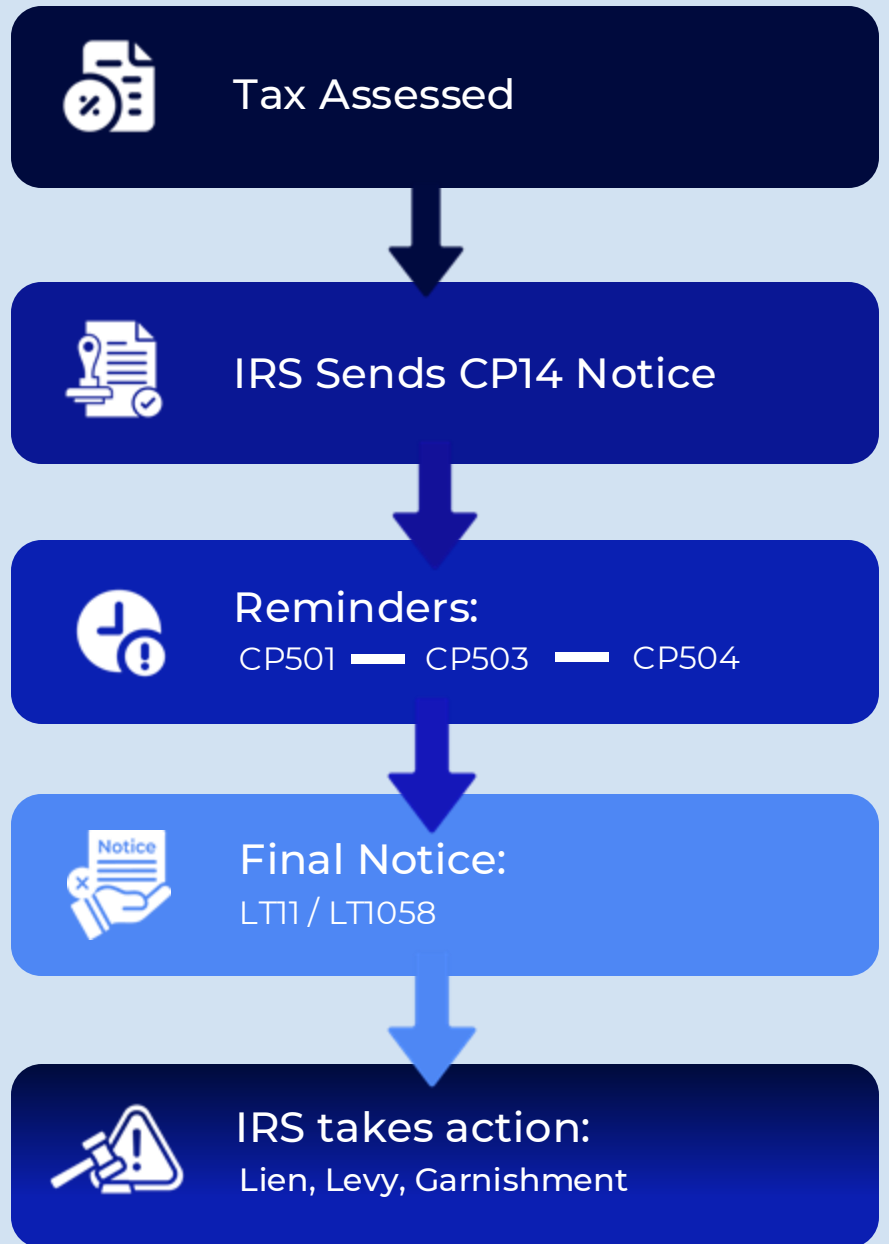
-J. E. Google Review

The IRS Collections Process: How It Starts

How IRS Tax Debt Gets Assessed

The collections process always starts with a tax assessment. Generally, as a taxpayer, you know that the tax has been assessed against you when you've filed a return with an unpaid balance, the IRS has adjusted your return to create a new tax liability, or you've incurred a tax debt through an audit. But that's not always the case – sometimes, tax debt gets assessed without taxpayers realizing it.

This most commonly occurs when the IRS audits or adjusts a return without the taxpayer's knowledge. Although the IRS sends notices about audits and adjustments, the notices go to the taxpayer's last known address, and sometimes, they get missed. Another situation that leads to an unexpected tax liability is when the taxpayer's spouse underreports their income on a jointly filed return. Then, the IRS catches the error and assesses tax accordingly.





The IRS may also assess tax against you if you haven't filed a return. In these cases, the agency uses information obtained from third parties (W2s, 1099-NECs, 1099-Bs, 1099-Miscs, 1099-R, etc.) to estimate how much you owe and to assess taxes against you. **Once the tax is assessed, the IRS can start the collections process.**

Why the Way Your Tax Was Assessed Matters

At the end of the day, all of these scenarios lead to the same outcome – the IRS coming after you for unpaid debt. However, the way the tax is assessed affects your resolution options and your ability to contest the tax due through the IRS appeals system. When you work with a tax resolution attorney, one of their first questions might be – How did you incur this tax debt? That helps them understand your protest rights and resolution options.

First Notice You'll Receive: CP14

Once the tax has been assessed, the IRS will send a balance due notice – For most taxpayers, that's notice CP14. These early notices are relatively benign. They explain how much you owe, outline payment options, and briefly explain what can happen if you don't pay (wage garnishment, asset seizure, and loss of passport). Unfortunately, if the IRS doesn't have a current address, you may miss notices and be unsure of where you are in the collection process.

To find out if you owe the IRS, how much you owe, and what steps they're taking, you can create an IRS online account to see your tax transcripts, tax debts owed, and any notices that have been sent to your physical address. Alternatively, a tax professional can access these details on your behalf if you authorize them to do so.

So, the tax has been assessed – what happens next?

IRS Collection Notices:

What to Expect and What They Mean

The IRS typically sends notices a few weeks after the tax has been assessed, but in some cases, the agency may take longer to start the collections process. However, once the notices start, they come about every six to eight weeks.

Each collection notice gets increasingly severe, but note that the language escalates more quickly than the IRS's actions do. IRS notices start mentioning tax levies (asset seizures) relatively early in the process, but most asset levies don't actually take place until 30 days after you receive a notice that contains the verbiage "your right to a hearing" – although interest and penalties get added to your account from day one, your assets are usually not at risk until you see that phrase.

The exact notices taxpayers receive vary based on why the tax was assessed, whether they're a business or an individual, the type of tax owed, and other factors. Here's an overview of the most common IRS notices and what they mean.

Most Common IRS Collection Notices			
Number	Type of notice	What to do	Consequences of inaction
CP14	First notice of balance due	Pay in full or set up payments	The IRS will add penalties and interest to your account
CP501	Reminder of balance due	Contact the IRS to pay your tax debt	The IRS will add penalties and interest to your account
CP503	Second reminder of balance due	Request monthly payments or apply for a settlement	The IRS will add penalties and interest to your account
CP504	IRS levy on tax refund	Set up payments or apply for a resolution option	The IRS will seize your tax refund for unpaid taxes
LT11/LT1058	IRS levy on wages and assets	Appeal or make payment arrangements in 30 days	The IRS will take your assets if you don't respond

Which Notices Signal Urgent IRS Action

As you can see, you will receive several notices before the situation gets dire, but once that final intent to levy notice hits your mailbox, the game is on. If you don't respond to this notice, the IRS will move forward with involuntary collections.

Unfortunately, figuring out which notices are the most serious can be tricky. The IRS starts using language about tax levies in Notice CP504. However, at that point, the agency can only seize your state or IRS tax refunds; this notice is just a formality. The agency doesn't have to notify you in advance before seizing your tax refunds.

The main clue that the IRS is going to take action is this phrase: "your right to a hearing". The IRS only offers hearing rights before initiating liens and levies. You need to respond if you receive a Final Intent to Levy With Your Right to a Hearing. If you don't, the IRS will garnish your wages and seize your assets. Once those actions are underway, they are very hard to undo.

The LT11 and LT1058 notices are general intent to levy notices, but the IRS also sends some more specific final levy notices. For instance, the CP298 relates to a seizure of your Social Security benefits.

The important point to remember is that all IRS notices give you some time to respond, and the deadline should be clearly noted at the top of the notice. By law, the IRS must notify you in writing before taking your assets, and they must give you a 30-day window to respond (unless the collection is in jeopardy or you are a match for the Federal Payment Levy Program). However, that also means that if you throw the wrong notice in the garbage can, you will wake up one day to a wage garnishment, a frozen bank account, or even padlocks on your business doors.

Liens, Levies & Garnishments: What's at Risk?

If a taxpayer doesn't pay their outstanding balance, the IRS will start involuntary collections to protect its interest in the unpaid debt.

Here are the enforcement actions the IRS can take and how they work. The IRS doesn't need to notify you before filing a tax lien, but for all other collection actions, the IRS must send a Final Intent to Levy Notice and give you 30 days to appeal.



Federal Tax Lien

Tax liens attach to all your property and rights to property, including property acquired after the lien is filed. The IRS must notify you within five days of filing the lien. Then, you have 30 days to appeal.



Bank Levy

The IRS can seize the funds in your bank account up to the amount of your tax debt, without regard to outstanding checks or automatic transfers. The funds will be frozen for 21 days, and then, the bank will send the money to the IRS. This is a one-time levy, meaning the IRS must issue an additional levy to take more money.



Wage Garnishment

The IRS can direct your employer to take a portion of your paycheck and send it to the IRS. This continuous levy stays in place until the tax debt is paid in full or the IRS agrees to remove the levy after you make arrangements to pay your tax debt.



Levy on Rights to Property

The IRS can also intercept payments due to you from third parties, such as rent payments, accounts receivable, or funds collected by your business's payment processor. A levy on rights to property may be a continuous or one-time levy.



Asset Seizures

If you don't pay, the IRS can seize physical assets, auction them off, and apply the proceeds to your tax debt. This is a rare but extremely significant risk for taxpayers who don't cooperate with the agency's demands to pay taxes.

The most common tax levies tend to be wage garnishment, bank levies, and seizure of your rights to property. These are all actions the IRS can take remotely with relatively little time or resources. The agency tends only to seize physical assets in extreme cases – if this happens, you will end up paying more because the IRS rolls the seizure and auction costs into your balance due.

Many collection actions are automated – they're initiated by the IRS's computer systems. Others, however, are initiated by a revenue officer who's personally assigned to your case.

IRS Collection Channels: ACS vs. Revenue Officers

The IRS uses two main strategies to collect unpaid taxes: the automated collection system (ACS) and revenue officers.

ACS: Automated Notices and Call Centers

ACS is a call center and computer system used by the IRS to collect delinquent tax debts. An IRS Revenue Officer is a government employee specifically tasked with collecting back taxes

Most accounts start in the automated system, and then, the IRS assigns accounts with high balances, a history of noncompliance, or other risk indicators to revenue officers.

Notices marked with "CP" are sent by the ACS, and some LT notices also come from the ACS. The ACS can also file tax liens and initiate wage garnishments and tax levies. ACS notices come with phone numbers that go to an IRS call center. When you contact the agency, any representative may answer the phone. There's no specific person working on your case.

Revenue Officers: Assigned Agents and Direct Oversight

If a revenue officer is assigned to your account, they will contact you directly through the mail. They may also request a meeting using a 725-B notice, or if you owe payroll taxes, they may request a phone call with Letter 5857. As of 2023, revenue officers no longer make unannounced calls to taxpayers' homes, except in very rare cases, such as if they're serving a subpoena. However, revenue officers often pay in-person visits (called field calls) to businesses. If you're behind on payroll taxes or excise taxes, don't be surprised if an IRS officer shows up in person.

Remember you have a right to representation, and before answering any questions, you should strongly consider hiring a tax attorney who specializes in tax debt resolution. If a revenue officer is asking about your assets, that's because they're looking for a way to collect the debt, and if they think they can get it in full, they may not even consider accepting payments on the balance.

Whether you're dealing with the ACS or a revenue officer, there are ways to stop collection actions, but it's critical to be proactive if you want to minimize financial damage.

How to Stop IRS Levies and Protect Your Assets

The best solution is to avoid collection actions by setting up payments as soon as you know you have a balance due, but that's not always practical for a variety of reasons. Fortunately, there are ways to stop impending or in-progress collection actions. In all cases, the sooner you act, the better. Facing a tax levy, consider these options:



Final notice of intent to levy with your right to a hearing – Request a collection due process hearing within 30 days. During the hearing, you can appeal the collection action and work with the IRS to make payment arrangements.



Can't afford to pay anything – At any time, apply for currently non-collectible status. If you have very limited assets or income, the IRS will temporarily stop all collection actions against you.



Severe economic hardship – Stop a pending or in-progress levy by proving economic hardship. The IRS will stop garnishments and levies if you can't cover essential living expenses.



IRS error or procedural mistake – The IRS must immediately stop levies and remove liens if they were issued in error or the IRS made a procedural mistake, like not sending required notices.



Appeal after the CDP deadline – Request an equivalent hearing up to one year after the CDP deadline. That won't immediately stop the levy, but it will give you a chance to request payments.



Pay in full - If you can pay in full, the IRS will stop all levies against you and release the federal tax lien.

Aside from paying in full, all of these options require applications and often have strict deadlines or procedural requirements. A tax resolution professional can help you communicate with the IRS and protect your assets from seizure.

Dealing With Federal Tax Liens: Options and Strategies

If the IRS hasn't levied your assets yet and you're just dealing with a tax lien, there are a few different ways to get out from under that.

Discharge – remove the lien from a specific piece of property

The IRS may discharge a lien from specific property in these scenarios:

- The value of your other property is worth at least double your IRS tax debt, plus all secured loans and local tax liens.
- The IRS's interest in the property has no value.
- You make a payment worth the IRS's interest in the property.
- You plan to sell the property, but make an agreement to put the IRS's interest in escrow.

If you own property in joint tenancy with someone who has a tax lien issued against them, you may be able to get the lien discharged by making a deposit or bond worth one-half of the IRS's interest in the property. Then, you have 120 days to contest the IRS's lien interest in federal district court. Always talk with an attorney before making these types of decisions.

Subordination - IRS agrees to place their priority behind other creditors

The IRS generally agrees to lien subordination requests in cases where it helps them get paid faster. Most commonly, this happens when a taxpayer takes out a loan against an asset and uses it to repay their taxes. For example, if you have a federal tax lien against you, generally, the only way to get a home equity loan is to get the IRS to subordinate its lien to the mortgage lender's lien.





Withdrawal - IRS removes the lien from the public record

It may surprise you, but generally, liens stay part of the public record, even after the debt has been paid in full and the lien has been released. However, after the lien is released, you can get it withdrawn from the public record if you meet these criteria:

- In compliance with the last three years of individual and business tax returns and payments.
- If applicable, up to date with all estimated quarterly payments and payroll tax deposits.

If you cannot pay in full, you may qualify for a withdrawal if you set up monthly payments and meet these criteria:

- You're an individual, a business that only owes income tax, or a business that's no longer operating.
- The amount owed is \$25,000 or less.
- Your payment plan pays off the taxes in 60 months or less (or by the collection expiration date if sooner).
- You set up direct debits so payments can come automatically out of your bank account.
- You're compliant with all other filing and payment requirements.
- You haven't defaulted on any previous installment agreements.
- You make three consecutive monthly payments through direct debit.

What If You Disagree with the Tax Debt?

The IRS makes mistakes, and if you disagree with the tax debt, there are several recourse options depending on the situation. All of these options have extremely strict deadlines and procedures that must be followed. Disputing a tax debt almost always demands the help of a professional.

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Option	Purpose	Key Deadline
Amended Return	Fix your own filing mistakes	3 years from filing
Audit Reconsideration	Challenge an audit you missed and disagree with	Before the tax is paid
Innocent Spouse Relief	Removed liability tied to a spouse's error	ASAP after discovery
Tax Court Petition	Legally contest an IRS decision	90 days from IRS notice
CDP Hearing	Stop collection and dispute	Varies (submit Form 656-L)
OIC - Doubt As To Liability	Settle for less if the IRS is wrong about you	2 years from payment
Form 843 Refund	Get a refund after paying	2 years from payment

Seven Ways to Challenge or Correct a **Tax Debt**

01

Amended Return

You can amend a previously filed return if you realize that you made errors when filing. For example, you claimed the wrong filing status or forgot to claim business deductions. You can also amend if the IRS proposes changes to your tax return and you have additional changes to make. In particular, this may happen if you forget to include an income source. The IRS adds the income to your return, but you want to claim expenses against the income.

02

Audit Reconsideration

If the IRS assesses tax against you in an audit, you have the right to request a reconsideration. You have the right to request an audit reconsideration at any point after the tax has been assessed but before it's paid. You may request a reconsideration if you didn't participate in the audit, didn't receive audit notices, or have new information to request. If you don't agree with the results of the reconsideration, you can appeal, but you must do so relatively quickly after getting the reconsideration results. If you don't agree with Appeal's decision, you may be able to take the case to court.

Seven Ways to Challenge or Correct a **Tax Debt**

03

Innocent Spouse Relief

Innocent spouse relief applies in cases where you're facing a tax liability due to your current or former spouse underreporting income on your return without your knowledge. The IRS also offers innocent spouse relief in certain cases of tax underpayment, but that is extremely rare. You may also qualify if you were coerced into signing a false return. When considering your application, the IRS looks at your education, involvement with family finances, and whether or not you had any reason to know about the understatement or underpayment of the tax liability.

04

Tax Court Petition

You have 90 days after a proposed assessment to petition the Tax Court. For example, if the IRS generates a substitute for return or adjusts your tax return, the agency will send you a Notice of Deficiency. This gives you 90 days to protest, or the tax gets assessed against you. You may also petition the Tax Court if your request for innocent spouse relief is denied or if the IRS doesn't respond within six months.

Seven Ways to Challenge or Correct a **Tax Debt**

05

CDP Hearing

Collection due process hearings are typically reserved for cases where you want to protest a pending collection action, such as a lien or a levy. However, if you get a notice outlining your right to a hearing and you haven't had a chance to dispute the tax due at a previous point, you can protest it in a CDP hearing. You must request the hearing within 30 days of receiving the notice or determination. If you miss the deadline, you can request an equivalent hearing to protect the collection action, but you don't appeal a tax liability in an equivalent hearing.

06

Offer in Compromise Based on Doubt as to Liability

An offer in compromise is when the IRS settles for less than owed. If you dispute the liability, you may be able to file an Offer in Compromise-Doubt as to Liability and provide reasons and supporting documents for why the liability is wrong. If accepted, the IRS will settle for a reduced amount or even abate the amount in full.

Seven Ways to Challenge or Correct a Tax Debt

07

Form 843 Refund

When all other options have been exhausted, you may want to pay the tax and request a refund using Form 843. You must request the refund within two years of paying the tax. If the IRS rejects your request, you have 30 days to appeal.





Options When You Can't Pay in Full

The IRS has a variety of options for taxpayers who cannot afford to pay in full. Although the agency has significant powers, it also wants to work with taxpayers and help them get back into compliance. Consider the following payment options:

Installment Agreement

Make monthly payments for up to 10 years or until the collection statute expiration date. The IRS generally has 10 years to collect a tax debt after it is assessed, this is called the collection statute expiration date. The IRS generally provides automatic approval if you owe less than \$50,000, can pay off the balance by the collection expiration date, and have a history of compliance. If you owe more, you may need to submit a collection information statement.

Partial Pay Agreements

When you cannot afford the minimum payment on an installment agreement, you can provide a collection information statement about your income and assets and ask the IRS to allow a lower monthly payment. Then, you make payments until the collection statute expiration date, and at that time, the IRS waives the remaining balance. This is called a partial pay installment agreement. However, if your financial situation improves while you're on this status, the agency will require you to switch to a traditional installment agreement or pay in full.



Offer in Compromise

The IRS will settle for less than owed if you prove that you are offering the most you can afford based on the equity in your assets and your future disposable income. You can make the payment in a lump sum or in installments over 24 months. This program can be extremely difficult to qualify for, and there are a lot of nuances in the application process. The IRS rejects about half of all applications, but at Wiggam Law, we see over a 90% approval rating and have saved millions for our clients.

Here's a link to our [Offer in Compromise white paper](#) if you want to learn more.

Currently Not Collectible (CNC)

This option also requires a financial disclosure, but if you're living on SSI or disability income, the IRS may let you apply with less paperwork than usual. Once the IRS marks your account as CNC, they stop all collection actions against you, except for the filing of a federal tax lien. If the debt expires while you're on CNC status, the IRS will no longer be able to collect it from you. However, if your finances improve before the collection expiration date, the IRS will expect you to pay the liability.

Bankruptcy

Generally, you can only discharge income taxes that are at least three years old through bankruptcy, but for most taxpayers, this is a last resort that should only be considered if you have other overwhelming unsecured debt. Always talk with an attorney before filing for bankruptcy.

The right option isn't always obvious, and selecting the wrong resolution plan can put you at risk. For example, nearly a quarter of people who set up IRS installment agreements would have qualified for an offer in compromise or currently non-collectible status.

Similarly, many of the people who apply for an offer in compromise on their own and get rejected would have been more likely to get approved if they worked with a tax professional.





How long does the IRS have to collect tax debt?

The IRS has 10 years from the date of assessment to collect unpaid tax debt, but certain events toll the statute, which extends this deadline. For instance, if you apply for an offer in compromise, the agency will toll the clock while reviewing your application, plus 30 days, and add the time to the end.

Once the deadline hits, the IRS can no longer legally enforce the tax debt unless they open formal litigation in the federal district court where you are located to extend it an additional 20 years. It is generally rare that they open formal legal proceedings. In some cases, you can work that to your advantage. For instance, if you can get into currently non-collectible status until the debt expires, you no longer owe it and no longer have to pay on it. A tax professional can help you leverage the collection statute expiration date to your advantage if applicable to your case.

When you contact a tax resolution attorney, they will work with you to find a solution that addresses your tax debt but also takes your personal financial situation into account. You want a sustainable solution that can help you avoid getting into future tax debt – not just a quick band-aid that isn't going to pan out for the long term. The team at Wiggam Law can help you strike the perfect balance.



Your Ally in Tax Disputes

You deserve relief. You deserve customized solutions. You deserve a tax pro who works with your best interest in mind. And when you choose Wiggam Law, you get all of that.

As a team, we've been working on tax resolution cases for over a decade, and collectively, we have decades of experience. We have saved our clients millions of dollars and helped them deal with all kinds of unwanted collection actions.

Don't wait. If you're ready to solve your tax problems, you need the right ally – contact us at Wiggam Law to schedule a consultation today.

