IRS Mission:

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

What You Should Know About

The IRS Collection Process

Keep this publication for future reference **Publication 594**

If our records show that you owe us, we send this publication with your final bill. If you owe the tax shown on the bill we sent to you, please arrange to pay it immediately. If you believe the bill is incorrect, call us now so that we may correct the mistake. We urge you to settle your tax account now so that we don't have to take any further action to collect the taxes you owe.

This publication tells you the steps the Internal Revenue Service (IRS) may take to collect overdue taxes. **This publication includes a summary of your rights and responsibilities concerning paying your federal taxes.**

Inside you will find a number of titles of IRS forms and publications that apply to the various situations discussed. For a complete list of these documents, see page 12. For copies of these documents, please call us, write to us, visit your local library or IRS office, or contact us at our web site. See the next page for the contact information that you'll need. Please contact us right away; we will work with you to solve your tax problem.

Please note that the information in this document applies to all taxpayers — for example, individuals who owe income tax and employers who owe employment tax. At the end of this publication, we've included a separate section for special rules that apply to employers only.

This document is for information only. Although it discusses the legal authority that allows the IRS to collect taxes, Publication 594 is not a precise and technical analysis of the law.

en español

Existe una versión de esta publicación en español, la Publicación 594SP, que puede obtener en la oficina local del Servicio de Impuestos Internos.

IRS

Department of the Treasury
Internal Revenue Service

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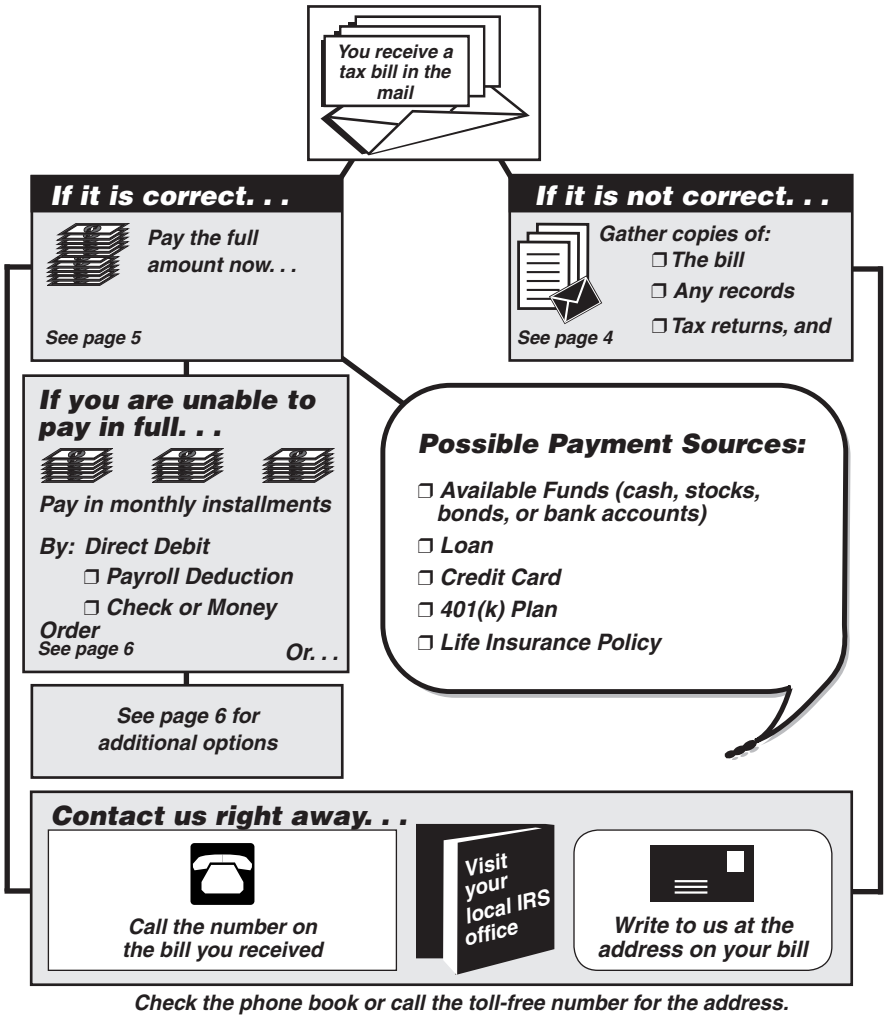
Publication 594 (Rev. 1-2006)
Catalog Number 46596B

What to Do When You Receive a Bill from the IRS



You should understand the possible immmediate and long-term effectsof not paying your taxes when they are due or defaulting on an installment agreement. It can adversely affect your credit rating.
See page 5

Avoid Having Overdue Taxes Next Year

- If you owe taxes because you did not have enough money withheld from your income, you should claim a lower number of allowances on your Form W-4 or Form W-4P. See Publication 919, *How Do I Adjust My Tax Withholding?*
- Take advantage of the Electronic Federal Tax Payment System. See Publication 966, check website at: *www.eftps.gov.*, call 1–800–555–4477 or 1–800–945–8400.
- If you owe tax, you should increase your estimated tax payments. See Publication 505, *Tax Withholding and Estimated Tax*.
- If you are an employer, see Publication 15, *Circular E, Employer's Tax Guide*.

Important Information You Should Know

You have the right to be treated professionally, fairly, promptly, and courteously by IRS employees and Private Collection Agencies (PCAs) contacting you on behalf of the IRS. Among other rights, you have the right to:

- disagree with your tax bill,
- meet with an IRS manager if you disagree with the IRS employee who handles your tax case,
- appeal most IRS collection actions,
- have your case transferred to a different IRS office if you have a valid reason (such as if you move),
- be represented by someone when dealing with IRS matters, and
- receive a receipt for any payment you make.

For details about your rights, see Publication 1, *Your Rights as a Taxpayer*. You received a copy of it with your first bill.

Important Information You Should Know

If you want someone to represent you. . .

When dealing with the IRS, you may choose to represent yourself, or you may have an attorney, a certified public accountant, an enrolled agent, or any person enrolled to practice before the IRS represent you. For example, you may want your representative to respond to a tax bill that you believe is incorrect.

If your representative appears without you, he or she must file a Form 2848, *Power of Attorney and Declaration of Representative*, or Form 8821, *Tax Information Authorization*, before being allowed to receive or inspect confidential material.

Other items to note. . .

- ***The IRS can share your tax information*** — By law, the IRS can share your tax information with city and state tax agencies, and in some cases with the Department of Justice, other federal agencies, and people you authorize. We can also share it with certain foreign governments under tax treaty provisions.
- ***We may contact a third party*** — The law allows us to contact someone else, such as neighbors, banks, employers, or employees, to investigate your case. You have the right to request a list of third parties contacted with respect to your case.
- ***Low Income Taxpayer Clinic*** — If you are a low income taxpayer, you may want to request Publication 4134, *Low Income Taxpayer Clinic List,* for information on a Low Income Taxpayer Clinic.
- ***If you are involved in bankruptcy proceedings*** — Contact your local IRS office. While the proceeding may not eliminate your tax debt, it may temporarily stop IRS enforcement action from collecting a debt related to the bankruptcy.
- ***Help for an innocent spouse*** — Generally, both you and your spouse are responsible, jointly and individually, for paying any tax, interest, or penalties due on your joint return. To seek relief from any liability related to your spouse (or former spouse), you must file a claim for relief on Form 8857, *Request for Innocent Spouse Relief and Separation of Liability and Equitable Relief.* The claim must be filed within two years from the IRS' first attempt to collect the tax from you.

  The collection contact attempt applies to only those contacts made after July 22, 1998, such as applying your refund from one year to the joint liability. For more information, see Publication 971, *Innocent Spouse Relief*, and Form 8857.
- ***Appeal process*** —If you disagree with the decision of an IRS employee at any time during the collection process, you can ask that employee's manager to review your case.

  When you ask for a review, the employee will refer you to a manager. The manager will either speak with you then or will return your call by the next work day.
  If you disagree with the manager's decision, you havethe right to file an appeal under the Collection Appeals Program. This program enables you to appeal most collection actions we may take, including filing a lien, placing a levy on your wages or bank account, or seizing your property. You also will have an opportunity to request a Collection Due Process (CDP) hearing with the Office of Appeals after the initial filing of a Notice of Federal Tax Lien. This opportunity takes place prior to the initial levy action, unless collection of the tax is in jeopardy or the levy is on your state tax refund. In these two cases, you can ask for a CDP hearing after the levy. See Publication 1660, *Collection Appeal Rights* for more information.

What if you believe your bill is wrong?

If you believe your bill is wrong, let us know as soon as possible.

- Write to the IRS office that sent you the bill,
- Call the IRS office that sent you the bill, or
- Visit your local IRS office.

To help us correct the problem, gather a copy of the bill along with copies of any records, tax returns, and canceled checks, etc., that will help us understand why you believe your bill is wrong.

If you write to us, tell us why you believe your bill is wrong. With your letter, include copies of all the documents you gathered to explain your case. Please do not send original documents. If we find you are correct, we will adjust your account and, if necessary, send you a corrected bill.

What to Do When You Owe Taxes

Options to Pay Your Taxes

When you file your tax return, we check to see if the math is accurate and if you have paid the correct amount. If you have not paid all you owe, we send a bill called a *Notice ofTax Due and Demand for Payment*. The bill includes the taxes, plus interest and penalties. We encourage you to pay as soon as possible. You may pay your taxes by credit card, electronic funds transfer, check, money order or cash. Take advantage of the Electronic Federal Tax Payment System (EFTPS) to pay by electronic funds transfer. See Publication 966, check the website at *www.eftps.gov* or call 1–800–555–4477 or 1–800–945–8400.

Taxpayers may initiate a credit card payment by contacting:

- Official Payments Corporation at 1–800–2PAYTAX (1–800–272–9829) or online at *www.officialpayments.com*, or
- Link2Gov at 1–888–PAY1040 (1–888–729–1040) or online at *www.pay1040.com*.

These companies charge a fee for service.

It is in your best interest to pay your tax liability in full to minimize the amount of interest and penalty charged. The interest rate your credit card issuer or bank charges may be lower than the combination of interest and penalties imposed by the Internal Revenue Code. For further information on interest and penalty rates, see Alternative Payment Options Truth in Lending, which is available at *www.irs.gov*.

What If You Cannot Fully Pay Your Taxes?

If you cannot pay all your taxes now, pay as much as you can. By paying now, you reduce the amount of interest and penalty you will owe. Then immediately call, write, or visit the nearest IRS office to explain your situation.

After you explain your situation, we may ask you to fill out a Collection Information Statement to help us compare your monthly income with your expenses to determine the amount you can pay. Based on your situation, we may work with you to consider several different ways to pay:

- You may be able to make monthly payments through an installment agreement. We can set up a direct debit from your financial institution or a payroll deduction from your wages or salary.
- You may qualify for a temporary delay if your case is considered a significant hardship. (See page 6.)
- In some cases, you may qualify for an Offer in Compromise. (See page 6.)

By law, the IRS has the authority to collect outstanding federal taxes for ten years from the date your liability is due.

There is a special program to help you with tax problems that cannot be resolved through normal IRS channels. . .

The **Taxpayer Advocate Function** is an IRS program that provides an independent system to assure that tax problems, which have not been resolved through normal channels, are promptly and fairly handled. Each state and service center has at least one local Taxpayer Advocate, who is independent of the local IRS office and reports directly to the National Taxpayer Advocate. The Taxpayer Advocate can help if:

- You are suffering, or are about to suffer, a significant hardship,
- You are facing an immediate threat of adverse action,
- You will incur significant cost (including fees for professional representation),
- You will suffer irreparable injury or long-term adverse impact,
- You have experienced a delay of more than 30 days to resolve the issue,
- You have not received a response or resolution by the date promised, or
- Established systems or procedures have failed to operate as intended to resolve the problem or dispute.

You may apply for Taxpayer Advocate Function assistance by:

- Completing Form 911, *Application For Taxpayer Assistance Order* (ATAO),
- Completing a written request for assistance (if Form 911 is not available),
- Requesting an IRS employee complete a Form 911 on your behalf (in person or over the phone), or
- Requesting the PCA employee advise IRS of your need for Taxpayer Advocate assistance, or
- Sending (or faxing) Form 911 to your local Taxpayer Advocate. Refer to Publication 1546, *The Taxpayer Advocate Service of the IRS*, for your local Taxpayer Advocate's address, phone and fax number.
- Calling the Taxpayer Advocate Service's toll-free number: 1-877-777-4778; TDD 800-829-4059

If you enter into an installment agreement and you cannot fully pay the amount you owe within the normal collection period, the IRS may request you to sign a waiver to extend the collection period. The collection period is automatically extended when a taxpayer files for bankruptcy or an Offer in Compromise.

If you do not pay the taxes you owe and if you make no effort to pay them, we can ask you to take action to pay your taxes, such as selling or mortgaging any assets you have or getting a loan. If you still make no effort to pay your bill or to work out a payment plan, we may also take more serious action, such as levying your bank account, wages, or other income or assets. (See pages 7–10.)

Installment Agreements

Installment agreements allow the full payment of your debt in smaller, more manageable amounts. Installment agreements generally require equal monthly payments. The amount of your installment payment will be based on the amount you owe and your ability to pay that amount within the time available to the IRS to collect the tax debt from you. To be eligible for an installment agreement, you must file all returns that are required to be filed, and you should make your current estimated tax payment (if required). If you are an employer, you must be current with federal tax deposits.

A $43 user fee will be charged to set up your installment agreement. When you arrange for an installment agreement, you should pay by Direct Deposit (Form 9465) from your bank account or Payroll Deduction (Form 2159) from your wages. These two types of payment agreements will help you avoid defaulting on your agreement by ensuring timely payments and preventing enforced collection action. These types of agreements will also reduce the burden of having to mail the payments and will save you postage.

You can secure:

- Form 9465: *Installment Agreement Request*, at *www.irs.gov*; by calling us at 1–800–TAX–FORM or visiting your local IRS office.
- Form 2159*, Payroll Deduction Agreement*, by calling the number on your notice or visiting your local IRS office. You should mail these completed forms to the address listed on your bill.

We cannot levy against your property:

- while your request for an installment agreement is being considered,
- while your agreement is in effect,
- for 30 days after your request for an agreement has been rejected, or
- for any period while an appeal of the rejection is being evaluated.

However, a Notice of Federal Tax Lien may be filed to secure the government's interest against other creditors.

If you already have an approved installment agreement from a previous tax debt and your financial situation has changed, we may be able modify your monthly amount. A reinstatement fee of $24 may be charged. You may have to complete a Collection Information Statement explaining your financial situation.

A default of your installment agreement may cause the filing of a Notice of Federal Tax Lien and/or an IRS levy action. Either can be very damaging to your credit worthiness and cause financial difficulties.

Apply for an Offer in Compromise

The Internal Revenue Service (IRS) may accept an Offer in Compromise to settle unpaid tax accounts for less than the full amount of the balance due. This applies to all taxes,including any interest, penalties, or additional amounts arising under the internal revenue laws. We will charge you a $150.00 user fee for submitting an offer. To be considered for an Offer in Compromise, you must file all of your returns that are due and, if applicable, be current with all Federal Tax Deposits for the last two quarters.

The IRS may legally compromise a tax liability for one of the following reasons:

- **Doubt as to liability** — there is doubt as to whether or not the assessed tax is correct,
- **Doubt as to collectibility** — there is doubt that you could ever pay the full amount of the tax owed. In these cases, the total amount you owe must be greater than the sum of your assets and future income, or
- **Promote effective tax administration** — there is no doubt that the assessed tax is correct and no doubt that the amount owed could be collected, but you have an economic hardship or other special circumstances which may allow the IRS to accept less than the total balance due.

You may submit an Offer in Compromise by completing Form 656, *Offer in Compromise*. If you are basing your offer on doubt as to collectibility or promotion of effective tax administration, you must also submit Form 433-A,*Collection Information Statement for Individuals*. After acceptance of an offer, you must remain current with filing and paying requirements for five years.

Temporarily Delay the Collection Process

If we determine that you cannot pay any of your tax debt, we may temporarily delay collection until your financial condition improves. You should know that if we do delay collecting from you, your debt will increase because penalties and interest are charged until you pay the full amount. During a temporary delay, we will again review your ability to pay. We may also file a *Notice of Federal Tax Lien* (see page 7) to protect the government's interest in your assets.

About IRS Collection Actions

Before we take any action explained in this section, we will contact you to give you a chance to voluntarily pay what you owe. But if you do not pay your taxes in full and do not contact us to let us know why you cannot pay or why you disagree with our decision to take enforcement action, the law requires us to take action. We may:

- ***File a lien*** against your property (Make a legal claim to your property as security or payment for your tax debt) *(See the information below)*,
- ***Serve a levy*** on your property or salary (Legally seize your property to satisfy a tax debt) *(See page 8)*, or
- ***Assess a trust fund recovery penalty*** for employment taxes *(See page 11)*.

These *enforced collection actions* are the means by which we can enforce the *Notice and Demand for Tax Payment*. On the following pages, we explain these collection actions and the rules that govern them.

Liens

Liens give us a legal claim to your property as security for payment of your tax debt. The federal tax lien arises when:

- We assess the liability,
- We send you a *Notice and Demand for Payment,* a bill that tells you how much you owe in taxes, and
- You neglect or refuse to fully pay the debt within 10 days after we notify you about it.

We then may file a Notice of Federal Tax Lien. By filing a Notice of Federal Tax Lien, your creditors are publicly notified that we have a claim against all your property, including property you acquire after the lien was filed.

The lien attaches to all your property (such as your house or car) and to all your rights to property (such as your accounts receivable, if you are an employer).

Once a lien is filed, your credit rating may be harmed. You may not be able to get a loan to buy a house or a car, get a new credit card, or sign a lease.

Releasing a lien

We will issue a *Release of the Notice of Federal Tax Lien*:

- Within 30 days after you satisfy the tax due (including accrued interest and penalties and other additions) by paying the debt or by having it adjusted, or
- Within 30 days after we accept a bond that you submit, guaranteeing payment of the debt.

In addition, you must pay all fees that a state or other jurisdiction charges you to file and release the lien. These fees will be added to the amount you owe. See Publication 1450, *Instructions on How to Request a Certificate of Release of Federal Tax Lien*.

Usually 10 years after a tax is assessed, a lien releases automatically if we have not filed it again. If we knowingly or negligently do not release a *Notice of Federal Tax Lien* when it should be released, you may sue the federal government, but not IRS employees, for damages.

Payoff amount

The full amount of your lien will remain a matter of public record until it is paid in full, including all accruals and additions. However, at any time you may request an updated lien payoff amount to show the remaining balance due by calling the toll-free customer service telephone number at 1-800-913-6050. An IRS employee will issue you a letter with the current amount that must be paid before we release the Notice of Federal Tax Lien.

Applying for a discharge of a Notice of Federal Tax Lien

If you are giving up ownership of property, such as when you sell your home, you may apply for a *Certificate of Discharge*. Each application for a *Certificate of Discharge* of a tax lien releases the effects of the lien against one piece of property. Note that when certain conditions exist, a third party may also request a *Certificate of Discharge*. If you're selling your primary residence, you may apply for a taxpayer relocation expense allowance. Certain conditions and limitations apply. See Publication 783, *Instructions on How to Apply for a Certificate of Discharge of Property from Federal Tax Lien.*

Making the IRS lien secondary to another lien

In some cases, a creditor may refuse to extend credit to you unless their lien will be satisfied before the Notice of Federal Tax Lien. Subordination is the process that can make a federal tax lien secondary to another lien. For more information, see Publication 784*, How to Prepare an Application for a Certificate of Subordination of Federal Tax Lien.*

Withdrawing liens

We may, at our discretion, withdraw a filed Notice of Federal Tax Lien if:

- the notice was filed too soon or not according to IRS procedures,
- withdrawal will speed collecting the tax, or
- withdrawal would be in your best interest (as determined by the Taxpayer Advocate) and the best interest of the government.

We will give you a copy of the withdrawal, and if you send us a written request, we will send a copy to other institutions you name.

Appealing the filing of a lien

The law requires us to notify you in writing not more than 5 business days after the filing of a lien. We may give you this notice in person, leave it at your home or your usual place of business, or send it by certified or registered mail to your last known address. You may (except if you are designated as a nominee and/or alter-ego) ask an IRS manager to review your case, or you may request a Collection Due Process hearing with the Office of Appeals, by filing a request for a hearing with the office listed on your notice. You must file your request by the date shown on your notice. Some of the issues you may discuss include:

- You paid all you owed before we filed the lien,
- We assessed the tax and filed the lien when you were in bankruptcy and subject to the automatic stay during bankruptcy,
- We made a procedural error in an assessment,
- The time to collect the tax (called the statute of limitations) expired before we filed the lien,
- You did not have an opportunity to dispute the assessed liability,
- You wish to discuss the collection options, or
- You seek relief, as an innocent spouse.

At the conclusion of your Collection Due Process hearing, the IRS Office of Appeals will issue a determination. That determination may support the continued existence of the filed federal tax lien or it may determine that the lien should be released or withdrawn. You will have a 30-day period, starting with the date of the determination, to bring a suit to contest the determination. See Publication 1660, *Collection Appeal Rights*, for more information.

Levies

A levy is a legal seizure of your property to satisfy a tax debt. Levies are different from liens. A lien is a claim *used as security* for the tax debt, while a levy actually *takes the property* to satisfy the tax debt.

If you do not pay your taxes (or make arrangements to settle your debt), the IRS may seize and sell any type of real or personal property that you own or have an interest in. For instance:

- We could seize and sell property that you hold (such as your car, boat, or house), or
- We could levy property that is yours but is held by someone else (such as your wages, retirement accounts, dividends, bank accounts, rental income, accounts receivables, the cash value of your life insurance, or commissions).

We usually levy only after these three requirements are met:

- We assessed the tax and sent you a *Notice and Demand for Payment*,
- You neglected or refused to pay the tax, and
- We sent you a *Final Notice of Intent to Levy* and *Notice of Your Right to A Hearing* (levy notice) at least 30 days before the levy. We may give you this notice in person, leave it at your home or your usual place of business, or send it to your last known address by certified mail, return receipt requested. Please note: If we levy your state tax refund, you may receive a Notice of Levy on Your State Tax Refund, Notice of Your Right to Hearing after the levy.

You may ask an IRS manager to review your case, or you may request a Collection Due Process hearing with the Office of Appeals by filing a request for a Collection Due Process hearing with the IRS office listed on your notice. You must file your request within 30 days of the date on your notice. Some of the issues you may discuss include:

- You paid all you owed before we sent the levy notice,
- We assessed the tax and sent the levy notice when you were in bankruptcy and subject to the automatic stay during bankruptcy,
- We made a procedural error in an assessment,
- The time to collect the tax (called the statute of limitations) expired before we sent the levy notice,
- You did not have an opportunity to dispute the assessed liability,
- You wish to discuss the collection options, or
- You seek relief as an innocent spouse.

At the conclusion of your hearing, the Office of Appeals will issue a determination. You will have 30-days after the determination date to bring a suit to contest the determination. See Publication 1660, *Collection Appeal Rights*, for more information.

If your property is levied or seized, contact the employee who took the action. You also may ask the manager to review your case. If the matter is still unresolved, the manager can explain your rights to appeal to the Office of Appeals.

Levying your wages, federal payments, such as federal retirement or federal vendor payments, or your bank account

If we levy your wages or federal payments, the levy will end when:

- The levy is released,
- You pay your tax debt, or
- The time expires for legally collecting the tax.

If we place a levy on your bank account, the levy attaches deposits that have cleared and funds that are available for withdrawal when the levy is received, up to the amount of the levy. The bank must wait until 21 days after a levy is received before sending the money. The holding period allows you time to resolve any issues about account ownership. After 21 days, the bank must send the money, plus, if applicable, any interest earned on that amount.

Filing a wrongful levy claim on a state income tax liability

If your state income tax refund has been levied and applied to a federal debt for which you are not liable, you may be entitled to a return of the wrongfully levied property by filing a claim pursuant to Internal Revenue Code (IRC) section 6343(b). Treasury Regulations Section 301.6343-2 provides direction for making such a claim. As a non-liable spouse, you may also file a suit for wrongful levy pursuant to IRC section 7426. However, if you are a resident of , or if the property is located in, a state with community property laws, different rules will apply that may limit or eliminate your claim. If you believe that you qualify, you should call the number on your bill; write to the office that sent you the bill; call 1-800-829-1040.

Filing a claim for reimbursement when we made a mistake in levying your account

If you paid bank charges because of a mistake we made when we levied your account, you may be entitled to a reimbursement. To be reimbursed, you must file a claim with us within 1 year after your bank charged you the fee. Use Form 8546, *Claim for Reimbursement of Bank Charges Incurred Due to Erroneous Service Levy or Misplaced Payment Check*.

Levying your federal payments through the Federal Payment Levy Program

Under the Federal Payment Levy Program, we may levy (take) the following federal payments that you may receive in order to pay your tax debt:

- Federal retirement annuity income from the Office of Personnel Management
- Social security benefits under Title ll of the Social Security Act (OASDI)
- Federal vendor payments
- Federal employee salary and travel payments

This program electronically levies these federal payments from the Department of the Treasury, Financial Management Service (FMS). If we electronically levy your federal payments, the levy will take 15% from each of the payments until your account is resolved. For Defense contract payments, however, the levy may take 100% of each payment until your account is resolved.

If you are already working with an IRS employee, call that employee for assistance. If you are not working with an IRS employee and:

- You receive federal contractor/vendor payments, please call 1-800-829-3903 for assistance, or
- You receive any other federal payment, please call 1-800-829-7650 for assistance.

Releasing a levy

We must release your levy if any of the following occur:

- You pay the tax, penalty, and interest you owe,
- We discover that the time for collection (the *statute of limitations*) ended before the levy was served,
- We decide that the documentation you provided proves that releasing the levy will help us to collect the tax,
- You have an installment agreement, or enter into one, unless the agreement says the levy does not have to be released,
- We determine that the levy is creating a significant economic hardship for you, or
- The fair market value of the property exceeds the liability for which the levy was made, and release of the levy on part of the property can be made without hindering the collection of the liability.

Releasing your property

Before the sale date, we may release the property if:

- You pay the amount of the government's interest in the property,
- You enter into an escrow arrangement,
- You furnish an acceptable bond,
- You make an acceptable agreement for paying the tax, or
- The expense of selling your property would be greater than the Government's interest in the property.

Returning levied property

If you request the return of levied property within nine months from the date of the levy, we can consider returning the property if:

- We levy before we send you the two required notices or before your time for responding to them has passed (ten days for the *Notice and Demand*; 30 days for the *Notice of Intent to Levy* and the *Notice of Right to Hearing*),
- We did not follow our own procedures,
- We agree to let you pay in installments, but we still levy, and the agreement does not say that we can do so,
- Returning the property will help you pay your taxes, or
- Returning the property is in both your best interests (as determined by the National Taxpayer Advocate) and the government's best interest.

Selling your property

We will post a public notice of a pending sale, usually in local newspapers or flyers. We will deliver the original notice of sale to you or send it to you by certified mail.

After placing the notice, we must wait at least ten days before conducting the sale, unless the property is perishable and must be sold immediately.

Before the sale, we will compute a *minimum bid price*. This bid is usually 80% or more of the forced sale value of the property, after subtracting any liens.

If you disagree with this price, you can appeal it. Ask that the price be computed again by either an IRS or private appraiser.

You may also ask that we sell the seized property within 60 days. For information about how to do so, call the IRS employee who made the seizure. We will grant your request, unless it is in the government's best interest to hold the property for a later sale. We will send you a letter telling you of our decision on your request. After the sale, we first use the proceeds to pay the expenses of the levy and sale.

Then we use any remaining amount to pay the tax bill.

- ***If the proceeds of the sale are less than the total of the tax bill and the expenses of levy and sale***, you will still have to pay the unpaid tax.
- ***If the proceeds of the sale are more than the total of the tax bill and the expenses of the levy and sale***, we will notify you about the surplus money and will tell you how to ask for a refund. However, if someone, such as a mortgagee or other lienholder, makes a claim that is superior to yours, we will pay that claim before we refund any money to you.

Redeeming your real estate

You (or anyone with an interest in the property) may redeem your real estate within 180 days after the sale. You must pay the purchaser the amount paid for the property, plus interest at 20% annually.

Some property cannot be levied or seized

By law, some property cannot be levied or seized. We may not seize any of your property unless we have determined that we expect there to be net proceeds to apply to the liability. In addition, we may not seize or levy your property on the day you attend a collection interview because of a summons.

Other items we may not levy or seize include:

- School books and certain clothing,
- Fuel, provisions, furniture, and personal effects for a household totaling $7,200,*
- Books and tools you use in your trade, business, or profession, totaling $3,600,*
- Unemployment benefits,
- Undelivered mail,
- Certain annuity and pension benefits,
- Certain service-connected disability payments,
- Workmen's compensation,
- Salary, wages, or income included in a judgment for court-ordered child support payments,
- Certain public assistance payments, or
- A minimum weekly exemption for wages, salary, and other income.

Use Publication 1494, *Table of Figuring Amount Exempt from Levy on Wages, Salary and Other Income* (Forms 668-W(c)(DO) and 668-W(c)), to determine the amount of earned income exempt from levy.

*These amounts are indexed annually for inflation (these amounts are for calendar year 2005).

Employment Taxes for Employers

To encourage prompt payment of withheld income and employment taxes, including social security taxes, railroad retirement taxes, or collected excise taxes, Congress passed a law that provides for the Trust Fund Recovery Penalty. (These taxes are called *trust fund taxes* because you actually hold the employee's money in trust until you make a federal tax deposit in that amount.)

If we plan to assess you for the trust fund recovery penalty, we will send you a letter stating that you are a *responsible* person. You have 60 days after we send our letter to appeal our proposal. If you do not respond to our letter, we will assess the penalty against you and send you a *Notice and Demand for Payment*. Also, we can apply this penalty whether or not you are out of business.

A responsible person is an individual or group of people who had the duty to perform and the power to direct the collecting, accounting, and paying of trust fund taxes. This person may be:

- an officer or an employee of a corporation,
- a member or employee of a partnership,
- a corporate director or shareholder,
- a member of a board of trustees of a nonprofit organization, or
- another person with authority and control to direct the disbursement of funds.

Assessing the Trust Fund Recovery Penalty

We may assess the penalty against anyone:

- who is responsible for collecting or paying withheld income and employment taxes, or for paying collected excise taxes, and
- who willfully fails to collect or pay them.

Willfulness exists if the responsible person:

- knew about the unpaid taxes, and
- used the funds to keep the business going or allowed available funds to be paid to other creditors.

In additional to these civil penalties and remedies, there are criminal ones, as well.

Especially for employers. . .

Employment taxes are:

- The amount you should withhold from your employees for both income and social security tax, plus
- The amount of social security tax you pay on behalf of each employee.

If you ignore the federal tax deposit and filing requirements, the amount you owe can increase dramatically.

If you do not pay your employment taxes on time, or if you were required to and did not include your payment with your return, we will charge you interest and penalties on any unpaid balance. We may charge you penalties of up to 15% of the amount not deposited, depending on how many days late you are.

If you do not pay withheld trust fund taxes, we may take additional collection action. We may require you to:

- File and pay your taxes monthly rather than quarterly, or
- Open a special bank account for the withheld amounts, under penalty of prosecution. See Form 8109, *Federal Tax Deposit Coupon* and *Circular E, Employer's Tax Guide.*

See Publication 535, *Business Expenses,* for informaion on how to deduct interest paid as a business deduction.

Figuring the Penalty Amount

The amount of the penalty is equal to the unpaid balance of the trust fund tax. The penalty is computed based on:

- The unpaid income taxes that should have been withheld, or were withheld but not paid over, plus
- The employee's portion of the FICA tax that should have been withheld, or was withheld but not paid over.

For collected taxes, the penalty is based on the unpaid amount of collected excise taxes.

Once we assert the penalty, we can take collection action against your personal assets. For instance, we can file a Notice of Federal TaxLien against you, if you are a responsible person.

Appealing the Decision

You have the right to appeal a proposed assessment of the Trust Fund Recovery Penalty. [See Publication 5, *(Your Appeal Rights and How to Prepare a Protest if You Don't Agree)*, for a clear outline of the appeals process.]

Referral to a Private Collection Agency

To assist IRS in resolving certain outstanding tax delinquencies the IRS has entered into contracts with Private Collection Agencies (PCAs). Your account may be assigned to a PCA for resolution. The PCA has been authorized by the IRS to assist you in making full payment of the amount you owe. If you are unable to pay the outstanding balance in full the PCA may establish a repayment plan for you within IRS guidelines.

If you are contacted by one of these agencies, they will:

- Assist you in resolving your tax delinquency on behalf of the IRS,
- Advise you of outstanding tax balances or delinquent tax returns, and
- Provide you with assistance for resolution of these issues.

PCAs are not authorized to abate or adjust tax, penalty or interest owed, enter into Offers-in-Compromise, or make other judgment decisions regarding your account. This includes the filing of Federal Tax Liens, Levies, or other enforcement actions described in this publication.

We offer you a number of free publications and forms. . .

These IRS forms and publications mentioned in this document give you more information about the various situations discussed. For copies of these documents, call us, write to us, visit your local library or IRS office, or contact us at our website at **www.irs.gov**.

Forms

- Form 433-F (ENG/SP), *Collection Information Statement*
- Form 911, *Application for Taxpayer Assistance Order*
- Form 656, *Offer in Compromise*
- Form 2159, *Payroll Deduction Agreement*
- Form 2848, *Power of Attorney and Declaration of Representative*
- Form 8109, *Federal Tax Deposit Coupon*
- Form 8546, *Claim for Reimbursement of Bank Charges Incurred Due to Erroneous Service Levy or Misplaced Payment Check*
- Form 8821, *Tax Information Authorization*
- Form 8857, *Request for Innocent Spouse Relief and Separation of Liability and Equitable Relief*
- Form 9465, *Installment Agreement Request*

Publications

- Publication 1, *Your Rights as a Taxpayer*
- Publication 5, *Your Appeal Rights and How to Prepare a Protest if You Don't Agree*
- Publication 15*, Circular E, Employer Tax Guide*
- Publication 783, *Instructions on How to Apply for a Certificate of Discharge of Property from the Federal Tax Lien*
- Publication 784, *How to Prepare an Application for a Certificate of Subordination of Federal Tax Lien*
- Publication 908, *Bankruptcy Tax Guide*
- Publication 919, *How Do I Adjust My Tax Withholding?*
- Publication 966, *Electronic Choices to Pay All Your Federal Taxes*
- Publication 971, *Innocent Spouse Relief*
- Publication 1450, *Request for Release of Federal Tax Lien*
- Publication 1494, *Table of Figuring Amount Exempt from Levy on Wages, Salary and Other Income*
- Publication 1546, *The Taxpayer Advocate Service of the IRS*
- Publication 1660, *Collection Appeal Rights*
- Publication 3959, *EFTPS CD-ROM for Tax Practitioners, Taxpayers & Financial Institutions*
- Publication 4134, *Low Income Taxpayer Clinic List*