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to guide taxpayers in the documentation they need to provide the IRS to resolve ...

Dave DuVal • May. 15, 2020

Two months have passed since much of the United States closed its doors to shelter in place, fighting an enemy we cannot see, but virulent none the less. As the country takes the first steps toward reopening the economy, many do not know if businesses and jobs will survive. With all the uncertainty of what lies ahead, many are wondering how long it will take to reach financially stable ground.

For those who are also struggling with federal tax debt, their challenges may seem insurmountable. Fortunately, tax professionals are in a unique position to help taxpayers struggling with federal tax debt. On March 25, 2020, the IRS launched the *People First Initiative*, a comprehensive plan directed to assist taxpayers who are in debt with the IRS. The provisions contained in this initiative provide a respite for

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Taxpayers who are already in an installment agreement with the IRS may suspend any payments due between April 1 and July 15, 2020. This is true even if the payments are scheduled to be directly debited out of their bank account. However, this reprieve is not automatic, and interest on the uncollected balance due will continue to accrue.

Taxpayers can temporarily suspend their automatic Installment Agreement debit payments by contacting their bank directly. Generally, a taxpayer will need to notify their bank at least three business days before the scheduled debit. If the financial institution requires the request in writing, the notification should be sent within fourteen days of the original verbal communication. Keep in mind that given the current pandemic, it may take financial institutions a bit longer to process requests, and the bank may charge a fee for completing this service.

As previously mentioned, deferring these payments until July 15 will not cause delinquency. However, to keep the Installment Agreement from going into default, it is crucial to reinstate the direct debits with the bank at least two weeks before the next scheduled payment after July 15, 2020. Keeping the Installment Agreement out of default may save taxpayers an IRS reinstatement fee.

In addition to suspending installment agreement payments, the IRS is allowing taxpayers in an accepted Offer in Compromise to defer making any payments scheduled between April 1 and July 15, 2020, without fear of voiding the accepted offer. Those who are gathering requested information for a pending Offer in Compromise will have until July 15 to submit the documentation.

If the taxpayer requesting an Offer in Compromise has not completed and filed their 2018 federal individual income tax return, they will have until July 15 to submit it. As with installment agreements, any unpaid tax liability still due on an offer in compromise will continue to accrue during this period.

The *People First Initiative* has temporarily modified various other collection

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Another significant action (or should it be *inaction*) the IRS is adopting during this time is a temporary freeze on submitting to the Secretary of State new certifications for passport revocation. For 2020, taxpayers who have been assessed more than $53,000 of tax debt are generally in dire jeopardy of having their passport revoked by the Secretary of State. By having this reprieve, taxpayers in this group have the opportunity of working with the IRS in obtaining an installment agreement or offer in compromise.

Alternatively, if the taxpayer is having significant hardship, the IRS may even determine their account is currently not collectible. Entering into an installment agreement, offer in compromise, or having the IRS conclude an account is currently not collectible will stave off a passport revocation.

Tax practitioners have an unprecedented opportunity to help delinquent taxpayers obtain resolution and reclaim a sense of peace. Now is the time for tax practitioners to guide taxpayers in the documentation they need to provide the IRS to resolve their outstanding debt. Unfortunately, millions of Americans have lost their jobs either temporarily or permanently. Those who are already in an established installment agreement may no longer have the means to make the current monthly payments, even if these payments are postponed until after July 15.

Many taxpayers may find themselves qualifying for currently not collectible status. The first step in obtaining a new or modified payment resolution is for the taxpayer to complete a variation of IRS Form 433-A *Collection Information Statement*. During this Age of Coronavirus, deciding whether to pay Peter or Paul is becoming the new normal for many. As tax practitioners, we have the expertise to help navigate taxpayers through the frightening waters of owing to the IRS.

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Dave Du Val is the Chief Customer Advocacy Officer for TaxAudit. At TaxAudit, he ensures

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