Partial Payment Installment Agreement (PPIA)

A more difficult Installment Agreement (IA) to obtain with the IRS that allows you to pay less than what you owe through a series of monthly payments is called a Partial Payment Installment Agreement (PPIA), or Part Pay Agreement because it allows you to partially pay your IRS back taxes over time (not in full).

Just like the Verified Financial Installment Agreement (VFIA), this type of agreement requires full disclosure of your financial information including all income, assets and liabilities through the use of Form 433 (A, B, or F).

It is an IRS settlement method that is easier to obtain than an Offer In Compromise (OIC) especially if the IRS has rejected a recent OIC of yours. This IA method was enacted by Congress in 2004 and became effective in 2005. It should be pursued if you can prove financially that you cannot pay your tax liabilities under the terms of a normal installment agreement.

Typically, before the IRS grants you a PPIA, they will look to see if you have any assets to satisfy unpaid taxes (there are exceptions).

Once you have no other options to repay your taxes, and your reasonable collection potential (work with tax pro on calculating) is less than your outstanding tax liabilities then a PPIA may be accepted by the IRS.

Your monthly payment is determined by your Collection Information Statement 433-A for individuals, and 433-B for businesses (updated every two to three years), which tells the IRS how much or what your ability to pay is.

This type of agreement leads to the taxpayer paying less because as the Statute of Collection expires on each period, that part of your tax debt becomes "uncollectible."

Normally, the Statute of Collections period is ten years from the date the taxes were assessed.