



Currently Not Collectable Status (CNC)

The IRS places certain delinquent tax cases in a “currently-not-collectable” (“CNC”) status, after its agents have determined that there is no ability to collect the taxes from the delinquent taxpayer.

The typical scenario is as follows...

A taxpayer falls behind in filing tax returns, paying taxes, or both. The IRS will eventually attempt to collect the taxes and/or missing tax returns through its notice process, by phone calls, or via home or office visits. If these attempts fail, the IRS will begin enforced collection action, which may include garnishing salaries, seizing bank accounts, recording tax lien notices, and seizing other assets.

If at any point in this process the taxpayer can demonstrate that the payment of the back taxes, either through voluntary or enforced means, would create an “economic hardship” on the taxpayer, then the IRS will close the collection case by placing the taxpayer’s account in “CNC” status.

This simply means that the IRS inputs a computer code on the taxpayer’s account that reflects the fact that the taxpayer cannot afford to pay the back taxes and meet his or her minimum monthly living expenses. It is important to recognize that what the taxpayer may view as a hardship, the IRS may view as just an economic or personal inconvenience.

In most cases, the IRS will not cease collection action until the taxpayer is in compliance. What that means is that the taxpayer must file any missing tax returns and must address any ongoing underpayment situation.

For example, if the reason the taxpayer owes delinquent taxes is because the taxpayer does not have sufficient income tax withheld from his or her paycheck, the IRS will not close the case as CNC (and will not suspend enforced collection action) until the taxpayer adjusts his or her withholding.

Also, if the taxpayer is self-employed, the taxpayer will be required to become current with estimated tax payments prior to the IRS halting collection action and placing the case in CNC status.

Generally, detailed financial disclosure is required prior to the IRS closing a collection case as CNC. Usually, IRS Form 433-A or 433-F must be submitted along with documents that substantiate the taxpayer's income, assets and expenses. These documents may include paystubs, mortgage statements, car loan statements and so forth.