



UNDERSTANDING IRS LEVY

WHAT IS A LEVY?

An IRS Levy is a legal seizure of a taxpayer's property to satisfy a tax debt. Levies allow the IRS to take taxpayer's property to satisfy their debt. When the IRS levies a taxpayer's property, it is not just real property but also money, credits and bank deposits. From time to time our offices receive an IRS levy. As settlement agents, we must respond to a levy in a timely manner.

WHY DOES THE IRS ISSUE LEVIES?

Taxpayers who do not pay their taxes or make payment arrangements to settle their debt may have their property levied. A levy is far reaching. The IRS could levy property which belongs to a taxpayer, but is held by someone else such as wages, retirement accounts, dividends, bank accounts, licenses, rental income, accounts receivables, the cash loan value of your life insurance, or commissions. In addition, the IRS could seize and sell a car, boat or house owned by a taxpayer.

The IRS issues a levy in the name of a taxpayer only after they have exhausted other means to collect from a taxpayer. First they send a Notice and Demand for Payment to the taxpayer. If the taxpayer fails to pay said demand the IRS sends a Final Notice of Intent to Levy and Notice of Right to a Hearing at least 30 days prior to issuing the levy. This notice is either hand delivered or sent by certified mail to the taxpayer. If the taxpayer fails to pay the demand or make other arrangements with the IRS, the IRS will levy their property.

DEPOSITARIES REQUESTED TO ADHERE TO LEVY COMPLIANCE RULES

The IRS is asking depositaries (banks, credit unions, savings and loans, escrow companies and similar institutions) to review and understand the responsibilities associated with processing levies. No matter how a levy is received, by mail or hand delivered, depositaries are expected to adhere to IRS guidelines by immediately processing the levy and freezing all affected accounts for the 21-day period required by Internal Revenue Code Section 6332(c). A mailed levy becomes effective the date and time the notice of levy is delivered to the depository. A hand-delivered levy becomes effective the date and time the notice of levy is hand delivered in person by a revenue officer.

HOW DO WE RESPOND TO A LEVY?

Upon receiving a Levy, the escrow company must run a search to see if there are any pending transactions where the taxpayer named on the levy will receive payment. If yes, the taxpayer will be notified in writing of the receipt of the levy. Since the IRS has already contacted the taxpayer, it should come as no surprise. The escrow company is obligated to comply with the levy and follow its instructions.

Any amounts due the taxpayer must first be paid to the IRS up to the amount due per the levy. Any amounts left will be paid to the taxpayer. The levy will list the date penalties and interest are calculated through.

HOW DOES A TAXPAYER GET A LEVY RELEASED?

Contact the IRS immediately to resolve your tax liability and request a levy release. The IRS can also release a levy if it determines that the levy is causing an immediate economic hardship. If the IRS denies your request to release the levy, you may appeal this decision. You may appeal before or after the IRS places a levy on your wages, bank account, or other property. After the levy proceeds have been sent to the IRS, you may file a claim to have them returned to you. You may also appeal the denial by the IRS of your request to have levied property returned to you. For more information, please visit www.irs.gov and type "IRS LEVY" in the search field.

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