

# Installment Agreements & Payment Plans

Installment agreements may offer a way out.

## What Are Installment Agreements?

Installment agreements provide a way to pay what you owe to the IRS through monthly payments. For many taxpayers with large back tax bills, paying what is owed at one time is simply not possible. Installment agreements make payments more manageable and can be a viable alternative if you do not qualify for an offer in compromise or other tax liability relief.

## Important Considerations about Installment Agreements

If you are considering entering into an IRS payment plan, there are some facts that we want you to know:

Tax payment plans may not be your most affordable option because interest and penalties continue to accrue.

Consequently, you may find that borrowing against another source to pay everything at once is a better option.

If you owe \$10,000 or under, all your returns are filed, and you have not been in trouble with the IRS before, generally, you have a statutory right to an installment agreement as long as you can pay in full the amortized balance within 36 months.

If you owe less than \$25,000 and the installment plan will repay the debt over five years or less, you may not need to make a financial disclosure. Instead, the amount you pay may be based entirely on what you owe and not your ability to pay.

If you owe between \$25,000 and \$100,000, the IRS will determine your monthly payment amount, considering your ability to pay and the total amount of the tax delinquency.

If you owe over \$100,000, the Internal Revenue Manual directs that the case be referred to the "Large Dollar Unit." This is the IRS's most intrusive collection division.

Once an installment agreement is executed, the taxpayer must stay compliant and pay all future taxes when due.

## Working with Installment Agreements

In order to qualify for an IRS payment plan, taxpayers must have filed all tax returns that are due. If you failed to file in a previous year, you must do so before you can enter into an agreement.

The IRS may still be able to file a Notice of Federal Tax Lien against you while your installment agreement request is pending or in effect. However, they cannot take your property or wages during this time or for the first 30 days after a request was rejected.

When you make the request, you may also need to disclose your assets, including cash and bank accounts. If your request is accepted, you will continue making your monthly payments until your entire tax liability is paid.

Much of the process of installment agreements is driven by the policies and procedures of the IRS, but there is room for interpretation and negotiation.

If you are struggling under the weight of a large tax bill, contact tax Professionals at

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