

If you owe the IRS a tax debt,  
but are not sure how to handle  
the debt, contact the:

## Western North Carolina Low Income Taxpayer Clinic

Telephone:  
800.438.1254  
Spanish Language Line:  
800.247.1931

Or

## Taxpayer Advocate Service

Telephone:  
1-877-777-4778  
1-800-829-4059 TTY/TTD

### Office Hours:

Monday - Friday 8:30am to 5:00pm

1431 Elizabeth Avenue  
Charlotte, North Carolina 28204  
www.lssp.org

Telephone: 704.971.2622  
Fax: 704.376.8627  
Email: info@lssp.org

Client Help Lines  
Mecklenburg County: 704.376.1600  
Outside Mecklenburg: 800.438.1254  
Spanish Language Line: 800.247.1931

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## Western North Carolina Low Income Taxpayer Clinic

# What To Do If You Owe The IRS



## What If I Owe a Debt But I Can't Pay It?

You have three choices:

### **1. If You Can Make Monthly Payments**

Agreeing to make monthly payments is called an **Installment Agreement**.

There is a \$105 fee to set up a monthly payment plan. If you agree to let the IRS take the monthly payments out of your bank account each month, then you only have to pay a \$52 setup fee. You may only have to pay a \$43 setup fee if you are low income.

The IRS adds interest and penalties each month until you have paid all of the tax debt. Your interest and penalties will be less if you have a monthly payment plan.

There are two kinds of monthly payment plans:

- **Full Pay** schedules payment so you pay **all** of the tax debt in three to five years.
- **Partial Pay** may be available if you are low income. This plan schedules monthly payments too, but it will **not** result in you paying all of your tax debt.

Fill out IRS Form 9465. You can decide what day you will make each monthly payment. This form is on the IRS website: [www.irs.gov](http://www.irs.gov).

### **2. If You Can't Pay Right Now**

If you don't earn enough money to make monthly payments, you can ask the IRS to place your account in **Currently Not Collectible status (CNC)**.

You have to show the IRS that all of your money is used to pay for necessary expenses. If paying the tax debt just makes it hard to pay your bills, then the IRS **won't** agree to suspend collection activity.

To ask for CNC status, fill out IRS Form 433-F. You can get this form at [www.irs.gov](http://www.irs.gov). You must also call the IRS Collections Department toll-free at 1-800-829-7650.

If the IRS agrees, you don't have to make any payments. **But you still owe the tax debt.** You will get one letter each year telling you how much you owe. The IRS doesn't charge a fee, but it will keep adding interest and penalties to your tax debt. If your financial situation improves, then the IRS may revoke your CNC status and force you to begin making payments.

If you are placed in CNC status, the IRS will place a lien on your property. This means that if you sell it, the IRS gets the money needed to pay your tax debt. The IRS will also keep any tax refunds and apply it to your tax debt.

The IRS usually has 10 years to collect tax debts. If you have a financial hardship and the 10-year period ends, the IRS should remove the tax debt.

### **3. If You Can't Pay the Full Debt But Want to Settle for a Lesser Amount**

If you owe a tax debt, but know you can't pay it, then you may be able to get the IRS to agree to take less than the full amount owed. You must prove you don't have the ability to pay all of the tax debt. This is called an **Offer in Compromise Based on Doubt as to Collectibility**.

To ask to pay only part of your tax debt, send in IRS Forms 433-A and 656. You must also send 20% of the total you want to pay. If you are low income, you may not have to make any payments while the offer is pending.

If you ask to make monthly payments, start making the payments right away. Don't wait until the IRS decides if they will accept your offer to settle.

It costs \$150 to file these papers. But if you are low income, you can file for free. To find out if you must pay the fee, read the instructions to IRS Form 656A at [www.irs.gov](http://www.irs.gov).

### **What If I Owe the Tax and Can Pay But Paying Would Cause Me Hardship?**

If you owe and can afford to pay, but paying would cause you hardship, you can file an **Offer in Compromise Based on Effective Tax Administration** to settle the tax debt. This is only for people who have hardships such as medical problems, disabilities, or other situations.