

# IRS Collections & Installment Arrangements

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## Course Introduction

Although, as reported in the [National Taxpayer Advocate blog](#), the [IRS suspended](#) the automatic mailing of collection notices routinely sent when a taxpayer owes federal tax on February 5, 2022 to give the IRS an opportunity to clear its processing backlogs, such automatic mailings are likely to recur and, meanwhile, other IRS delinquent collection activities continue unabated. [Statistics for fiscal year 2022](#), show the IRS ending inventory with a balance of assessed tax, penalties and interest exceeding \$120.2 trillion, enforcement activity involving more than 430,000 taxpayers, and 3.7 million taxpayers paying tax liabilities under installment agreements.

With IRS collection clearly continuing and likely to ramp up in the future, chances that any tax professional will need to be conversant with their collection activities and the methods available to challenge them is increasing. It is to that end this course addressing IRS collections is addressed.

## Course Learning Objectives

After completing this course, students should be able to:

- Identify the rights specified in the Taxpayer Bill of Rights;
- Describe the maximum period of time the IRS may collect taxes due from a taxpayer;
- List the tax payment alternatives available to a taxpayer;
- Recognize the IRS decisions that may be challenged by a taxpayer; and
- Compare the Collection Due Process and Collection Appeals Program.

# Chapter 1 – IRS Collections & Taxpayer Rights

## Introduction

The IRS has assigned over 3.28 million taxpayer accounts totaling more than \$30.1 billion in delinquencies to private collectors (PCAs) who have collected \$498.4 million from these accounts. Additionally, PCAs also established more than 130,000 payment arrangements. So, the likelihood a tax preparer's client may be subject to the collection process and look to the preparer for guidance is fairly high. This chapter provides an overview of the rights of taxpayers in their interactions with the IRS, the maximum period of time in which the IRS may collect any tax due, the tax collection process normally used by the IRS, and the tax payment alternatives to which taxpayers may avail themselves.

## Learning Objectives

When you have completed this chapter, you should be able to:

- List the rights granted taxpayers in the Taxpayer Bill of Rights;
- Identify the maximum period of time in which the IRS may collect taxes due from a taxpayer;
- Describe the IRS tax collection process;
- Recognize the tax payment alternatives available to a taxpayer; and
- Describe a taxpayer's right to challenge an IRS decision.

## Taxpayer Bill of Rights

In 1819, the U.S. Supreme Court, in its decision in *McCulloch v. Maryland*, concluded that "the power to tax involves the power to destroy," and that sentiment may account for the fear many taxpayers have when dealing with the IRS. While receipt of an unexpected IRS missive can still prompt some concern, any feeling of taxpayer helplessness ought to be diminished by the IRS's publication of the Taxpayer Bill of Rights in 2014 after several years of urging by the National Taxpayer Advocate.

As stated in the Bill of Rights document, taxpayers have rights when dealing with the IRS, including the right to:

- Be informed concerning –
  - the tax laws,
  - applicable IRS procedures, and
  - IRS decisions with respect to their tax accounts;
- Quality service, that includes the right to receive prompt, courteous, professional, clear and easily understandable assistance when dealing with the IRS;
- Pay no more than the correct tax amount,
- Challenge the position of the IRS and be heard by it, a right that permits taxpayers to –
  - raise objections,
  - provide additional documentation in response to formal IRS actions or proposed actions,
  - expect that the IRS will consider timely objections and documentation promptly and fairly, and
  - receive a response if the IRS does not agree with their position;
- Appeal an IRS decision in an independent forum, entitling taxpayers to –
  - a fair and impartial administrative appeal of most IRS decisions, including many penalties,
  - receive a written response regarding the Office of Appeals' decision, and

- take their cases to court;
- Finality, pursuant to which they have the right to know –
  - the maximum amount of time they have to challenge the IRS's position,
  - the maximum amount of time the IRS has to audit a particular tax year or collect a tax debt, and
  - when the IRS has finished an audit;
- Privacy, guaranteeing taxpayers the right to expect that any IRS inquiry, examination, or enforcement action will –
  - comply with the law,
  - be no more intrusive than necessary,
  - respect all due process rights (including search and seizure protections), and
  - provide, where applicable, a collection due process hearing;
- Confidentiality, under which taxpayers can expect that –
  - any information they provide to the IRS will not be disclosed unless authorized by the taxpayer or by law, and
  - appropriate action will be taken against employees, return preparers, and others who wrongfully use or disclose taxpayer return information;
- Be represented by an authorized representative in their dealings with the IRS, and the right to seek assistance from a Low Income Taxpayer Clinic if they cannot afford representation; and
- A fair and just tax system that will –
  - consider facts and circumstances that might affect their underlying liabilities, ability to pay, or ability to provide information timely, and
  - the right to receive assistance from the Taxpayer Advocate Service if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through its normal channels.

## Tax Collection Statute of Limitations

The IRS can attempt to collect taxes due from a taxpayer up to 10 years from the date the taxes were assessed. However, there are ways this time period can be suspended, thereby lengthening the 10-year collection period.

For example, by law, the time to collect may be suspended while:

- The IRS is considering the taxpayer's request for an Installment Agreement or Offer in Compromise. If the taxpayer's request is ultimately rejected, the IRS will suspend collection for another 30 days, and during any subsequent period of time the Appeals Office is considering the appeal request;
- The taxpayer lives outside the U.S. continuously for at least 6 months. Collection is suspended while the taxpayer is outside the U.S.;
- The tax periods the IRS is collecting on are included in a bankruptcy with an automatic stay. The IRS will suspend collection for the time period the IRS can't collect because of the automatic stay, plus 6 months;
- The taxpayer requests a Collection Due Process hearing. Collection will be suspended from the date of request until a Notice of Determination is issued or the Tax Court's decision is final; or
- The IRS is considering a taxpayer's request for Innocent Spouse Relief. Collection will be suspended from the date of the request until 90 days after a Notice of Determination is issued,

or if the taxpayer files a timely petition to the Tax Court, until 60 days after the Tax Court's final decision. If the taxpayer appeals the Tax Court's decision to a U.S. Court of Appeals, the collection period will begin 60 days after the appeal is filed, unless a bond is posted.

## IRS Enforced Tax Collection Methods

The IRS has various methods to ensure a taxpayer pays the amount of taxes due. Two of those methods—methods taxpayers are well advised to avoid, if possible—are tax levies and tax liens. The methods differ from each other, but they are likely to have an adverse effect on various aspects of the taxpayer's life: the ability to secure credit or obtain a job, for example, as well as a general reputational impact.

A levy is a legal seizure of the taxpayer's property to satisfy a tax debt. It enables the IRS to garnish wages and take money in the taxpayer's bank or brokerage account; in addition, it permits the seizure and sale of the taxpayer's vehicle, real estate or other personal property. A levy actually takes the property to satisfy the tax debt while a lien, in contrast, is a legal claim against the taxpayer's property to secure payment of the tax debt. The IRS doesn't automatically place a lien against or levy a taxpayer's property. Such actions are generally taken only after the taxpayer has been notified of a claim made by the IRS and has ignored it.

A way to avoid an IRS levy—but not necessarily a tax lien—is by requesting a payment plan. When a taxpayer requests a payment plan (installment agreement), with certain exceptions, the IRS is usually prohibited from levying and the IRS's time to collect is suspended, i.e., prolonged, while an Installment Agreement (IA) is pending. An IA request is often pending until it can be reviewed and an IA is established, or the request is either withdrawn by the taxpayer or rejected by the IRS.

If the requested IA is rejected, the running of the collection period is suspended for 30 days. Similarly, if a taxpayer defaults on IA payments and the IRS proposes to terminate the IA, the running of the collection period is suspended for 30 days. If a taxpayer exercises the right to appeal either an IA rejection or termination, the running of the collection period is suspended by the time the appeal is pending to the date the appealed decision becomes final.

## Notice of Federal Tax Lien Filing

A federal tax lien, also called a "statutory lien" or "assessment lien," arises when tax is assessed, demand is made, and the liability is not paid. A Notice of Federal Tax Lien (NFTL)—a public notification filed with designated state and local jurisdictions—is a document filed in the public record to put third parties on notice of the existence of the federal tax lien. One notice of lien can list as many as 15 individual statutory liens. There is a distinct legal difference between a statutory lien and an NFTL, so care should be taken to ensure there is no confusion about what is being referenced when "lien" is used.

The IRS doesn't report a taxpayer's tax debt directly to consumer credit bureaus. In fact, the Taxpayer Bill of Rights discussed earlier protects a taxpayer's tax return information from disclosure by the IRS to third parties. However, once a **Notice** of Federal Tax Lien has been filed, a taxpayer's tax debt becomes public record and that public record may be accessed by anyone. The IRS' filing of a Notice of Federal Tax Lien is designed to alert creditors that the government has a legal right to the taxpayer's property.

Similarly, tax levies don't directly affect a taxpayer's credit score, but they are part of the IRS collection process and the indirect effects can damage a taxpayer's credit for years.



## The Billing Process

After your client files a tax return and/or a final decision is made establishing your client's correct tax, the Internal Revenue Service (IRS) records the amount in its records. If your client owes taxes, the IRS will send a bill for the amount due, including any penalties and interest.

If the taxpayer fails to pay the tax bill or make arrangements to pay it, the IRS can take actions to collect the debt. As noted immediately above, those IRS collection efforts include federal tax liens and levies. Interest will continue to accrue during this period, and the IRS may offset future federal tax refunds due the taxpayer until the balance is paid in full. If the taxpayer doesn't pay the first tax bill sent by the IRS, it will send at least one more bill.

The IRS maintains an automated collection system (ACS)—a system temporarily stopped by the IRS while it works through its backlog—that is designed to efficiently collect taxes due with a minimum of human interaction. Under the system, the IRS sends a series of increasingly-threatening letters to taxpayers who owe unpaid taxes. Usually, the process of sending these computer-generated letters to the owing taxpayer takes four to six months but may be shorter or longer in duration.

The IRS common collection letters are:

- CP-14 –
  - Stating the receiving taxpayer has a tax balance owed, providing a billing summary that shows how the balance was determined (tax owed, interest and penalties added, less any payments made),
  - Directing the taxpayer, if agreeing with the amount due, to make payment by a specified date to avoid additional penalties and interest charges,
  - Specifying that immediate payment may be made online or via check/money order,
  - Providing a payment stub the taxpayer may use if paying by check or money order, and
  - Identifying various payment options, including payment plans and offer in compromise;
- CP-501, usually sent about five weeks after CP-14 –
  - Stating the taxpayer has unpaid taxes, providing another billing summary showing how the balance was determined (tax owed, additional interest and penalties added),
  - Directing the taxpayer again, if agreeing with the amount due, to make payment by a specified date to avoid additional penalties and interest charges,
  - Specifying that immediate payment may be made online or via check/money order,
  - Providing a payment stub the taxpayer may use if paying by check or money order,
  - Identifying various payment options, including payment plans and offer in compromise, and
  - Stating that the IRS may file a Notice of Federal Tax Lien if the taxpayer fails to respond; and
- CP 503, a second reminder stating that *"Immediate Action is Required"* –
  - Directing the taxpayer to pay the tax owed immediately by direct payment, credit card, check/money order or by setting up a payment plan, and
  - Reiterating the payment options stated in the earlier letters;
- CP-504, a considerably less-friendly letter –
  - Notifying the taxpayer that the IRS intends to seize the taxpayer's property through tax levy, and

- Enumerating the possible consequences if the taxpayer fails to pay immediately, including seizing the taxpayer's wages, bank accounts, business assets, personal assets, state tax refunds and Social Security benefits; and
- CP-90, –
  - Stating the IRS intends to seize the delinquent taxpayer's assets, and
  - Notifying the taxpayer of his or her right to a hearing.

Even though letter CP-90 states it is the "Final Notice," it is not the last notice the taxpayer will receive before the IRS takes action on the unpaid taxes. Instead, the IRS will send Letter 1058 stating that it intends to seize the taxpayer's assets and requesting a reply within 30 days. If the taxpayer has received a Letter 1058 and doesn't agree with the IRS' position, the taxpayer or his/her representative should file Form 12153, *Request for a Collection Due Process Hearing*, discussed more fully in Chapter 2.

Sometimes a taxpayer just needs a little more time to pay the tax bill and may be given additional time by simply requesting it. After receiving a computer-generated letter, a taxpayer requiring additional time to pay may obtain it by sending a letter reply requesting a 45-day delay and remitting a partial payment.

## Tax Payment Arrangements

If the taxpayer agrees with the information on the tax bill, the taxpayer should pay the full amount before the due date, if possible. If the taxpayer can't pay the full amount due, the IRS urges the taxpayer to pay as much as possible and visit [www.irs.gov/payments\\_to](http://www.irs.gov/payments_to) to consider online payment options. The IRS page is a portal that enables taxpayers to:

- Access their tax account to –
  - view the amount owed,
  - view the details of their payment plan (if any), and
  - make a payment from their bank account to –
    - apply against the tax balance,
    - apply against the payment plan,
    - pay estimated tax, or
    - make other types of payments;
- Make tax payments by direct deposit, debit card, credit card or digital wallet (PayPal, for example); or
- Apply for a payment plan.

If the taxpayer doesn't qualify for the online payment options, the taxpayer or representative should immediately contact the IRS by calling the telephone number on the taxpayer's bill to explain the taxpayer's situation. The taxpayer should have information about the taxpayer's monthly income and expenses. Based on the taxpayer's ability to pay, the IRS may provide alternate payment options such as setting up an installment agreement online. Not paying taxes when they are due may cause the filing of a federal tax lien and/or an IRS levy action.

## Payment Plans

A payment plan is an agreement between the IRS and the taxpayer under which the taxpayer is given a specified period of time to pay the taxes owed. The taxpayer should request a payment plan if he or she believes that the tax debt will be paid in full by the end of the time period specified in the plan.

The taxpayer's specific tax situation will determine which payment plan options are available. In addition to paying any tax, interest and penalties fully as a lump-sum payment, payment plans include:

- Short-term full payment plan (paying in 180 days or less),
- Long-term monthly full payment plan (installment agreement), or
- Long term partial payment plan (PPIA).

The taxpayer may qualify to apply online for a long-term payment plan (installment agreement) if \$50,000 or less is owed in combined tax, penalties and interest, and the taxpayer has filed all required returns. Under a long-term monthly full payment plan, a taxpayer must agree to pay all amounts owed in no more than 72 months or within the statute of limitations, if shorter. If the taxpayer owes less than \$100,000 in combined tax, penalties and interest a short-term payment plan may be applied for online. If the taxpayer qualifies and opts for a short-term payment plan, no user fees are applied. A taxpayer applying for a payment plan online will receive an immediate notification if the plan is approved.

Payment plans may be short-term or long-term payment plans. The differences in the plans—differences marked by other than duration—are as follows:

- Short-term payment plans (\$100,000 or less) require payment in full within a period that is no longer than 180 days. Payment options for short-term plans include –
  - Paying directly from a checking or savings account, an option available only to Individual taxpayers;
  - Paying electronically online or by phone using Electronic Federal Tax Payment System; or
  - Paying by check, money order or debit/credit card — fees, sometimes referred to as “convenience fees,” apply when paying by a credit or debit card;
- Long-term payment plan (\$50,000 or less) options include:
  - Option 1 - Paying through direct debit, i.e. automatic monthly payments from the taxpayer's checking account; or
  - Option 2 - After applying for a long-term payment plan, options include –
    - Paying through direct debit from a checking account, an option available only to individual taxpayers;
    - Paying electronically online or by phone using Electronic Federal Tax Payment System; or
    - Monthly payment by check, money order or debit/credit card  
*Fees apply when paying by card*

For individuals, balances over \$25,000 must be paid by Direct Debit. For businesses, balances over \$10,000 must be paid by Direct Debit.

### Guaranteed Installment Agreements

Although the IRS has considerable latitude with respect to offering installment agreements, it is required to accept proposals of IAs under certain circumstances. Pursuant to current tax law, the IRS must accept proposals to pay in installments if the taxpayer is an individual who owes income tax only of \$10,000 or less (excluding penalties and interest (P&I)) and:

- Has not failed to file any income tax returns or to pay any tax shown on them during any of the preceding five taxable years;
- Cannot pay the tax immediately;
- Agrees to fully pay the tax liability within three years or before the Collection Statute Expiration

Date (CSED), whichever is earlier;

- Agrees to file and pay all tax returns during the term of the IA; and
- Has not entered into an IA during any of the preceding five taxable years.

#### Payment Plan Fees

If the IRS approves a taxpayer's payment plan (installment agreement), one of the following fees will be added to the tax bill. Although accrued penalties and interest continue to apply to tax debts owed until paid in full, there are no set-up fees for a short-term payment plan applied for online, by phone, by mail or in-person. Accrued penalties and interest will also continue to apply until the tax owed is paid in full under a long-term payment plan. Additionally, an eligible taxpayer opting for a long-term payment plan under option 1 will incur the following fees:

- If applied for online - \$31 setup fee (fee waived for low-income applicant); or
- If applied for by phone, mail, or in person - \$107 setup fee (fee waived for low-income applicant).

An eligible taxpayer opting for a long-term payment plan under option 2 will incur the following fees:

- If applied for online - \$130 setup fee (fee reduced to \$43 for low-income applicant); or
- If applied for by phone, mail, or in person - \$225 setup fee (fee reduced to \$43 for low-income applicant).

#### Setup Fees may be Waived or Reduced for Low-Income Applicants

As briefly noted above, the waiver or reduction of fees may apply to low income individual taxpayers. A "low-income taxpayer," for purposes of waived or reduced setup fees in connection with payment plans, is a taxpayer with adjusted gross income at or below 250% of the applicable federal poverty level that enters into a long-term payment plan.

If the taxpayer is a low-income taxpayer, the user fee is waived upon agreement to make electronic debit payments by entering into a Direct Debit Installment Agreement (DDIA). If a low-income taxpayer is unable to make electronic debit payments by entering into a DDIA, the taxpayer will be reimbursed the user fee upon the completion of the installment agreement. If the IRS system identifies the taxpayer as a low-income taxpayer, the Online Payment Agreement tool will automatically reflect the applicable fee.

The federal poverty level applicable to 2023 is as follows:

2023 HHS Poverty Guidelines*			
Persons in family/household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$14,580	\$18,210	\$16,770
2	\$19,720	\$24,640	\$22,680
3	\$24,860	\$31,070	\$28,590
4	\$30,000	\$37,500	\$34,500
5	\$35,140	\$43,930	\$40,410
6	\$40,280	\$50,360	\$46,320

<b>7</b>	\$45,420	\$56,790	\$52,230
<b>8</b>	\$50,560	\$63,220	\$58,140
<b>For each additional person add</b>	\$5,140	\$6,430	\$5,910

\*Federal poverty guidelines are revised annually to reflect inflation.

Although the IRS encourages taxpayers interested in arranging for a payment plan to do so online—and offers reduced setup fees for taxpayers that do so—it's possible the taxpayer will be unable to apply online. Arranging for a payment plan online requires the taxpayer have the current version of one of the following browsers:

- Google Chrome,
- Internet Explorer or Microsoft Edge,
- Mozilla Firefox, or
- Safari

In order to use this application, the browser must be configured to accept session cookies. Simply ensure that support for session cookies is enabled in the browser, then hit the back button to access the application.

### IRS Rejection of a Payment Plan

If the IRS rejects a taxpayer's request for a payment plan, the taxpayer may request that the Office of Appeals review the taxpayer's case. The two main procedures used for review by the Office of Appeals are the Collection Due Process (CDP), and the Collection Appeals Program (CAP).

Taxpayers can represent themselves at CDP, CAP and other Appeals proceedings or be represented by an attorney, certified public accountant, or a person enrolled to practice before the IRS. Alternatively, the taxpayer may be represented by a member of his or her immediate family, or in the case of a business, by regular full-time employees, general partners or bona fide officers.

If the taxpayer wants his or her representative to contact the IRS or appear without the taxpayer and to receive and inspect confidential material, the taxpayer must file Form 2848, Power of Attorney and Declaration of Representative. The taxpayer may also authorize an individual to receive or inspect confidential material but not represent the taxpayer before the IRS, by filing Form 8821, Tax Information Authorization.

We will examine both of these important procedures in the next chapter.

### Getting Rid of a Federal Tax Lien

A federal tax lien attaches to all of the taxpayer's assets owned at the time the lien becomes effective and to assets acquired during the duration of the lien. Thus, the lien attaches to the taxpayer's real and personal property, securities and vehicles owned at the time the lien is placed as well as to assets subsequently acquired while the lien is in effect. Unsurprisingly, the IRS' filing of a federal tax lien can severely limit the taxpayer's ability to obtain credit and his or her ability to access business assets, including accounts receivable. Additionally, if the taxpayer files for bankruptcy, the tax debt, federal tax lien and the notice may continue after the bankruptcy.

Several methods of arranging for removal of a Notice of Federal Tax Lien are available to the taxpayer on whom the IRS has filed such a Notice. The most obvious, even if not usually the easiest, way of having

the tax lien lifted is by paying the tax debt in its entirety. When the tax debt is paid in full, the IRS releases the lien within 30 days following payment. However, if this obvious method is unavailable, the federal tax lien may be lifted pursuant to:

- A discharge of property,
- Subordination, or
- Withdrawal.

### Obtaining a Discharge of Property

The principal criterion for obtaining a discharge of property named in the certificate of discharge from a federal tax lien is that the U.S. government's interest NOT be diminished as a result of the discharge. Keeping that criterion in mind, the following methods may be the basis for discharge of specified property from a federal tax lien:

- The remaining property value encumbered by the lien is equal to at least twice the amount of the federal tax liability secured by the lien on the property and any encumbrance entered into before the IRS filed its public notice of the lien;
- Payment is made equal to or greater than value of the U.S. interest in the property;
- The U.S. interest in the property has no value due to debts senior to the federal tax lien;
- An agreement is entered into allowing property to be sold and proceeds held in a fund subject to U.S. claims; and
- Property is owned by a third party and deposit is made (or bond acquired) equal to US interest in the property.

To request discharge of property, file IRS Form 14135, *Application for Certificate of Discharge of Property from Federal Tax Lien*. See Publication 783, *Instructions on how to apply for Certificate of Discharge From Federal Tax Lien*, for additional information.

### Subordination

In general parlance, the term "subordination" means to place in a lower rank or class. As the term is used with respect to federal tax liens, it means that the U.S. agrees to assume a junior position and allows a named creditor to move its junior creditor position ahead of the United States' position for the property named in the certificate.

Similar to the criterion for IRS approval of discharge of property named in a certificate of discharge, i.e., that the U.S. government's interest NOT be diminished as a result, subordination may be approved if the IRS determines that the issuance of the certificate will not diminish the government's interest nor impede its collection.

A certificate of subordination may be granted by the IRS if:

- The taxpayer pays an amount equal to the lien or interest to which the certificate subordinates the lien of the United States; or
- The IRS determines that the issuance of the certificate will increase the amount the government realizes and make collection of the tax liability easier.

To request subordination, file Form 14134, Application for Certificate of Subordination of Federal Tax Lien. If the application for a certificate of subordination is denied, the taxpayer will receive Form 9423, Collection Appeal Request and Publication 1660, Collection Appeal Rights, with an explanation of why the application was denied. See Publication 784, Instructions on how to apply for a Certificate of Subordination of Federal Tax Lien, for additional information.

## Withdrawal

Withdrawal of a notice of federal tax lien provides assurance to a taxpayer's creditors that the IRS is not competing with them for the taxpayer's property. Reasons for the IRS' willingness to approve a taxpayer's application for withdrawal of a NFTL include:

- The Notice of Federal Tax Lien was filed prematurely or not in accordance with IRS procedures;
- The taxpayer entered into an installment agreement to satisfy the liability for which the lien was imposed and the agreement did not provide for a Notice of Federal Tax Lien to be filed;
- The taxpayer is under a Direct Debit Installment Agreement;
- Withdrawal will facilitate collection of the tax;
- The taxpayer's tax liability has been satisfied, the lien released, and the taxpayer meets specific compliance requirements;
- The taxpayer, or the Taxpayer Advocate acting on behalf of the taxpayer, believes withdrawal is in the best interest of the taxpayer and the government.

To request withdrawal of a NFTL, file Form 12277, Application for Withdrawal of Filed Form 668(Y), Notice of Federal Tax Lien.

## Private Collection Agencies

Congress passed legislation requiring the IRS to use private collection agencies to assist it in collecting certain overdue tax accounts. In December 2015, Congress required the IRS to hire private collection agencies (PCAs) to collect some of its inactive tax receivables.

An inactive tax receivable includes, for example, a tax debt that the IRS removed from its active inventory:

- Because of a lack of resources or inability to locate the taxpayer;
- Because a year has passed since the taxpayer or his or her representative interacted with the IRS; or
- Because more than two years have passed since assessment and the account was not assigned for collection.

Thus, the IRS would assign a taxpayer's account to a PCA for collection because the taxpayer met the following criteria:

- The IRS lacked the resources to locate (or was unable to locate) the taxpayer;
- A year has passed and neither the taxpayer nor the taxpayer's representative have interacted with the IRS on the taxpayer's account; or
- More than two years have passed since assessment, and the account was not assigned for collection.

The IRS would not have assigned a taxpayer's account to a PCA if the taxpayer:

- Is deceased;
- Is younger than age 18;
- Is in a designated combat zone;
- Is the victim of tax-related identity theft;
- Is a recipient of SSI or Social Security disability benefits;
- Has an AGI not exceeding 200% of the applicable poverty level;
- Is currently under examination, litigation, criminal investigation, or levy;
- Is subject to pending or active offers in compromise;
- Is subject to an installment agreement;
- Is subject to a right of appeal;
- Is classified as an "innocent spouse" case; or
- Is in a presidentially-declared disaster requesting relief from collection.

### What to Expect when a Client's Account is Assigned to a PCA

Private collection agencies have limited authority with respect to tax collection. PCAs can *only* request that the taxpayer fully pay the liability, or alternatively, offer the taxpayer an installment agreement (IA). Unlike the IRS, however, PCAs cannot:

- Enter into an offer in compromise;
- Offer a partial payment installment agreement;
- Place accounts into currently not collectible status due to hardship; or
- Consider claims for innocent spouse relief.

A PCA is authorized to:

- Send an initial contact letter before attempting to collect any amounts due;
- Identify itself as an IRS contractor who is collecting taxes due; and
- Set up and monitor payment arrangements that allow the taxpayer to pay in full within the earlier of –
  - Seven years, or
  - The collection expiration date.

However, a PCA is not authorized to, and will not:

- Request payments be made directly to them or on a prepaid debit, iTunes or gift card;
- Collect the taxpayer's financial information;
- Take any type of enforcement action such as issuing a levy or Notice of Federal Tax Lien;
- Make determinations to accept or reject offers in compromise or report accounts currently not collectible; or
- Charge a fee for setting up a payment agreement.

### IRS Employee Retention Credit Voluntary Disclosure Program

On December 21, 2023, the IRS announced a Voluntary Disclosure Program for employers to resolve



erroneous claims for credit or refund involving the Employee Retention Credit (ERC)<sup>1</sup>. Those that filed for and erroneously received the ERC face enforcement action from the IRS and are subject to assessment and collection procedures. The program enables employers to resolve their civil tax liabilities arising out of an erroneous ERC claim and avoid potential civil litigation, penalties, and interest.

### Participant Eligibility

Any participant that has claimed the ERC and has received a credit or refund is eligible to participate in the Voluntary Disclosure Program, provided that:

- The participant is not under criminal investigation and they have not been notified that the IRS intends to commence a criminal investigation;
- The IRS has not received information from a third party alerting the IRS to the participant's noncompliance, nor has the IRS acquired information directly related to the noncompliance from an enforcement action;
- The participant is not under an employment tax examination by the IRS for any tax period(s) for which the taxpayer is applying for this Voluntary Disclosure Program; and
- The participant has not previously received notice and demand for repayment of all or part of the claimed ERC.

### How the Program Works

The terms of this ERC Voluntary Disclosure Program are as follows:

- **Employment Tax Adjustments** – The participant is not eligible for, or entitled to, any ERC, including both the refundable and non-refundable portions, for the tax period(s) at issue.
- The participant will remit back to the Department of the Treasury 80% of the claimed ERC, including both the refundable and non-refundable portions.
- The participant will not be required to repay any overpayment interest received. If the participant makes full payment of 80% of the claimed ERC prior to executing the closing agreement, no underpayment interest will apply. If the IRS approves a request for an installment agreement, interest may apply from the agreement date.
- **Income Tax Effects** -- Because the settlement eliminates a participant's eligibility for and/or entitlement to all of the claimed ERC, participants are not required to reduce wage expense with respect to any of the previously claimed ERC. Consequently, if they had not previously reduced wage expense by any of the claimed ERC, participants need not file amended returns or Administrative Adjustment Requests (AARs) to reduce wage expense. Correspondingly, if they had previously reduced wage expense by any of the claimed ERC, participants should not reduce wage expense by any of the claimed ERC if they file an amended return or AAR adjusting the previous reduction to wage expense. Pursuant to the settlement, a participant has no income with respect to the resolution of the employment tax obligation by remittance of payment of only 80% of the claimed ERC, including both the refundable and non-refundable portions.
- **Preparer/Advisor Information** – If a return preparer or advisor assisted or advised the participant with any portion of the claim for credit or refund, the participant will provide the

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<sup>1</sup> Announcement 2024-3 may be accessed at <https://www.irs.gov/pub/irs-drop/a-24-03.pdf>.

name, address, and phone number of the preparer(s) or advisor(s) who assisted with the claim for credit or refund and a description of services provided by the preparer or advisor.

- Application of Penalties – The IRS will not assert civil penalties related to the underpayment of employment tax attributable to the claimed ERC against a participant of this Voluntary Disclosure Program under Announcement 2024-3 that remits full payment of 80% of the claimed ERC prior to executing the closing agreement.
- The participant will execute a closing agreement, as discussed in 4(3) of the IRS announcement 2024-3.

## Participant Requirements

Participants in the Voluntary Disclosure Program must notify the IRS of their election by completing and electronically submitting Form 15434, *Application for Employee Retention Credit Voluntary Disclosure Program*, and any required attachments along with their payment on or before 11:59 pm local time on March 22, 2024.

Form 15434 must be prepared under penalties of perjury and:

- Include the taxpayer's name, taxpayer identification number, current address, and daytime telephone number. If a practitioner will represent the taxpayer, the practitioner must provide a completed Form 2848, *Power of Attorney and Declaration of Representative*;
- Identify the tax period(s) for which the ERC was claimed, the form on which the ERC was claimed, and the full amount of the ERC claimed, including both the amounts that were refundable and non-refundable;
- If the tax period(s) for which the ERC was claimed include any tax period ending in 2020, a completed, signed ERC Voluntary Disclosure Program Form SS-10, *Consent to Extend the Time to Assess Employment Taxes*, for the 2020 Tax Period(s), is required to be submitted with Form 15434. The ERC Voluntary Disclosure Program Form SS-10 is available at <https://www.irs.gov/pub/irs-utl/form-ss10-2020-ercvd.pdf>;
- If the ERC was claimed by a third-party payer on behalf of the participant, as described in Section 2, the third-party payer must attach a copy of the relevant pages of the Schedule R (Form 941), *Allocation Schedule for Aggregate Form 941 Filers*, that was attached to each Form 941, *Employer's Quarterly Federal Tax Return*, on which the third-party payer claimed the ERC for the participant; and
- If a return preparer or advisor assisted with the claim for credit or refund, include the name, address, and phone number of the preparer(s) and advisor(s) who assisted with the claim for credit or refund and a description of services provided by the preparer or advisor.

Form 15434 will help a participant calculate how much they will be required to pay to the Department of the Treasury under the terms of the ERC Voluntary Disclosure Program. A participant must use the Electronic Federal Tax Payment System (EFTPS) to submit an online payment(s). Payment should be made separately for each tax period upon submission of Form 15434. For each EFTPS payment, select the category "Advanced Payment." Participants should not make a single, lump-sum payment for multiple tax periods to ensure such payments are accurately credited to the correct tax period. Full payment of the liabilities under this Voluntary Disclosure Program should be made by the date the closing agreement described in subsection (3) is executed by the participant. Participants who are unable to remit full payment of the 80% of claimed ERC may be considered for an installment

agreement.

After receiving the requested information, the IRS will prepare a closing agreement for the participant's signature.

## Summary

- Taxpayers have specified rights when dealing with the IRS that are identified in the Taxpayer Bill of Rights.
- The IRS can attempt to collect taxes due from a taxpayer up to 10 years from the date the taxes were assessed. However, there are ways this time period can be suspended, thereby lengthening the 10-year collection period.
- If your client owes taxes, the IRS will send a bill for the amount due, including any penalties and interest.
- If the taxpayer fails to pay the tax owed, the IRS will send a series of letters to the taxpayer, each generally being more threatening than the previous letter and concluding with a letter expressing an intent to seize the taxpayer's assets to pay the tax debt.
- The IRS portal enables taxpayers to access their tax account, make tax payments by direct deposit, debit card, credit card or digital wallet or apply for a payment plan.
- A taxpayer owing delinquent taxes may opt for a payment plan under which the taxpayer is given a period of time to pay the taxes owed.
- Fees and interest generally apply to taxes being paid under a long-term installment plan.
- A waiver or reduction of fees associated with installment plan tax payments apply to low income individual taxpayers.
- If the IRS rejects a taxpayer's request for a payment plan, the taxpayer may request that the Office of Appeals review the taxpayer's case.

## Chapter 1 Review

1. Leo, a U.S. citizen with outstanding federal taxes due, lived in Europe for one year. For what period of time would the period during which the IRS may collect taxes from Leo be suspended?
  - A. No suspension would apply
  - B. 30 days
  - C. One year
  - D. 6 months
2. Bill and Shirley arranged an installment agreement under which they agreed to pay all their outstanding tax liability. If seven years of the statute of limitations on collection had expired, what is their maximum repayment period?
  - A. 180 days
  - B. Three years
  - C. Seven years
  - D. Ten years

3. The IRS filed a Notice of Federal Tax Lien against Phil and Susan for taxes owed. The taxpayers want to have the lien lifted and agreed to sell a farm they own and have the proceeds held in a fund subject to U.S. claims. Which of the following should they seek to have the Notice lifted?
- A. A discharge of property
  - B. Subordination
  - C. Withdrawal
  - D. Bankruptcy

# Chapter 2 – Challenging an IRS Decision

## Introduction

Receiving a letter from the IRS is not usually an occasion to celebrate. For many taxpayers it may be the beginning of a difficult, expensive, and confusing process, and one for which they require the assistance of a tax professional. This chapter will provide an overview of a taxpayer's right to appeal IRS decisions in Collection Appeals Program and Collection Due Process hearings and introduce the expedited dispute resolution process of mediation known as Fast Track Mediation.

## Learning Objectives

When you have completed this chapter, you should be able to:

- Identify the types of IRS decisions taxpayers may challenge in Collection Due Process (CDP) and Collection Appeals Program (CAP) hearings;
- Describe the period of time taxpayers have to request a CDP or CAP hearing;
- Recognize the notification requirements the IRS must meet before seizing taxpayer property to satisfy a tax liability;
- List the venues in which an Office of Appeals hearing may take place; and
- Describe the objectives of Fast Track Mediation.

## Stopping the Collection Action

If the taxpayer receives a bill from the IRS and disagrees with information contained in it, call the telephone number on the bill, or visit the taxpayer's local IRS office to inform the IRS of what the taxpayer believes to be incorrect concerning the bill. Have a copy of the bill and any tax returns, cancelled checks, or other records that will help the IRS understand why the taxpayer believes the bill is wrong. If the IRS finds that the taxpayer is correct—that the bill is wrong, in other words—the IRS will adjust the taxpayer's account and, if necessary, send a revised bill. If the IRS disagrees with the taxpayer and the taxpayer doesn't pay the amount due, the IRS will begin collection actions, actions that can range from applying the taxpayer's subsequent tax year refunds to the tax due (until paid in full) to actually seizing the taxpayer's property and assets. Additionally, collection actions could include an unannounced visit from a Revenue Officer to the taxpayer's home or business.

When the taxpayer has been notified that the IRS plans to enforce collection to satisfy a tax debt—think tax liens and levies—the most important initial step to take is to put a halt to the collection action to give the taxpayer and you, assuming you are the taxpayer's representative, the time needed to review the situation and devise a plan of action. Regardless of the avenue chosen to address the tax debt, the practitioner needs to advise the taxpayer to stop the collection effort.

If the taxpayer is to be represented by a tax professional, the practitioner should obtain, complete, sign and have the taxpayer sign a Form 2848, *Power of Attorney and Declaration of Representative*. If the taxpayer filed jointly, the practitioner should obtain the Form 2848 from each party to the filing. The IRS should then be asked to provide an account transcript showing the outstanding account balance. An account transcript can be requested by filing Form 4506T-EZ, *Short Form Request for Individual Tax Return Transcript*, and the IRS normally sends the requested transcript within two business days. After receiving the transcript and having obtained a power of attorney from the taxpayer, the plans may include exercising the taxpayer's right to appeal.

## Bankruptcy

Be sure to notify the IRS if the taxpayer is in bankruptcy. Although the bankruptcy may not eliminate the taxpayer's tax debt, the IRS may temporarily stop collection. Call the number on the taxpayer's bill or 1-800-973-0424. Have the following information available: the location of court, bankruptcy date, chapter and bankruptcy number.

## Considering an Appeal

Not every taxpayer unhappy about a proposed increase in his or her tax liability is a candidate for an appeal. However, Appeals may be the place for the taxpayer if all the following apply:

- The taxpayer received a letter from the IRS explaining his or her right to appeal the IRS's decision;
- The taxpayer doesn't agree with the IRS's decision; and
- The taxpayer is not signing an agreement form sent by the IRS.

If all of the above are true, then the taxpayer may be ready to request an Appeals conference or hearing. To decide if the taxpayer should appeal his or her tax dispute, consider the following. If the taxpayer believes the:

- IRS made an incorrect decision based on a misinterpretation of the law, check the publications discussing his or her issue(s);
- IRS didn't properly apply the law due to a misunderstanding of the facts, be prepared to clarify and support his or her position;
- IRS is taking inappropriate collection action against the taxpayer or his or her offer in compromise was denied and the taxpayer disagrees with that decision, be prepared to clarify and support his or her position; or
- Facts used by the IRS are incorrect, then the taxpayer should have organized records or other evidence to support his or her position.

If the decision is to request an appeal, a written protest must be filed. Complete the protest and mail it to the IRS address on the letter that explains the taxpayer's appeal rights. Don't send the protest directly to the IRS Independent Office of Appeals (Appeals); this will only delay the process and may prevent Appeals from considering the taxpayer's case.

Before sending the case to Appeals, the IRS Examination or Collection office that made a tax assessment or initiated collection action will consider the taxpayer's protest and attempt to resolve the disputed tax issues. If that office can't resolve the issues, they will forward the case to Appeals for consideration.

## Appealing IRS Decisions

The Taxpayer Bill of Rights discussed in Chapter 1 specifically gives a taxpayer the right to appeal an IRS decision in an independent forum. In general, this right entitles taxpayers to a) the fair and impartial administrative appeal of most IRS decisions, including many penalties, b) the right to receive a written response regarding the Office of Appeals' decision, and, if still unsatisfied, c) the right to take the case to court.

The two principal methods of appealing an IRS decision are:

- The Collection Due Process (CDP), and

- The Collection Appeals Program (CAP).

Both are handled by the IRS Independent Office of Appeals (Appeals). Although it may seem unusual to appeal to the IRS about a decision made or action taken by the IRS, Appeals is independent of the IRS Collection office that initiated the collection action. It ensures and protects its independence by adhering to a policy of prohibiting certain ex parte communications with IRS offices. In this context, “ex parte” refers to improper unilateral contacts with a represented party (the IRS office) without notice to the other party, i.e., the taxpayer. Additional information about this independence can be found in Revenue Procedure 2012-18.

## Collection Due Process

A taxpayer who receives a levy notice, has 30 days from the date of the notice to file the request for a CDP Hearing. In the case of receipt of a lien (rather than levy) notice, the 30-day period to request a CDP Hearing begins 5 days after the filing of the lien notice. The letter from the IRS normally states the date by which a request for a CDP hearing must be filed. In such a case, it’s always sensible to ensure the request is filed no later than the date specified in the letter. Collection efforts are suspended while the taxpayer is awaiting the hearing.

The Collection Due Process (CDP) allows the taxpayer to challenge the existence and amount of tax liability. The Office of Appeals decision in a Collection Due Process hearing may be contested in U.S. Tax Court. The taxpayer is entitled to a Collection Due Process (CDP) hearing with Appeals if the IRS sends the taxpayer a notice that states he or she has the right to request a CDP hearing, such as:

- Notice of Federal Tax Lien Filing and His or her Right to a Hearing Under IRC 6320;
- Final Notice - Notice of Intent to Levy and Notice of His or her Right to A Hearing;
- Notice of Jeopardy Levy and Right of Appeal;
- Notice of Levy on His or her State Tax Refund – Notice of His or her Right to a Hearing; or
- Post Levy Collection Due Process (CDP) Notice.

Thus, a CDP hearing is available if the taxpayer receives one of the following notices:

- [\*Notice of Federal Tax Lien Filing and Your Right to a Hearing under IRC 6320\*](#) - This letter (Letter 3172) is to notify the taxpayer that the IRS filed a notice of tax lien for the unpaid taxes. If the taxpayer doesn’t agree, appeals consideration may be requested within 30 days from the date of the letter. A [\*Form 12153, Request for A Collection Due Process Hearing\*](#) should be filed and sent to the address shown on the lien notice within 30 days from the date of the letter in order to appeal the action with the Independent Office of Appeals.
- *Final Notice - Notice of Intent to Levy and Notice of Your Right to a Hearing* – This letter (Letter 1058) states the IRS hasn’t received the taxpayer’s payment for overdue taxes and that it intends to seize the taxpayer’s property or rights to property. It encourages the taxpayer to contact the IRS immediately.
- *Notice of Jeopardy Levy and Right of Appeal* - If collection is believed by the IRS to be in jeopardy, a jeopardy levy may be issued before or after the taxpayer has been given a CDP notice. The levy may or may not involve the collection of a jeopardy assessment. After a jeopardy levy, a taxpayer will be issued a CDP notice and Letter 2439, *Notice of Jeopardy Levy and Right of Appeal*. Letter 2439 informs the taxpayer of the right to an IRC 7429 review. In

accordance with [26 CFR<sup>2</sup> 1.6851-1](#), a termination assessment will be made if collection is determined to be in jeopardy because at least one of the following conditions exists.

- The taxpayer is or appears to be designing quickly to depart from the United States or to conceal himself or herself;
- The taxpayer is or appears to be designing quickly to place his, her, or its property beyond the reach of the Government either by removing it from the United States, by concealing it, by dissipating it, or by transferring it to other persons; or
- The taxpayer's financial solvency is or appears to be imperiled.

A taxpayer is entitled to an [IRC 7429](#) review if the jeopardy levy is made fewer than 30 days after the IRS gives the taxpayer the notice described under IRC 6331(a). A jeopardy levy made outside the 30-day time frame under IRC 6331(a) is not entitled to an IRC 7429 review. After a request for a 7429 review is made, the Secretary is required to determine:

- Whether or not—
  - making the assessment is reasonable under the circumstances, and
  - the amount assessed or demanded is appropriate under the circumstances, or
- Whether or not the levy is reasonable under the circumstances.
- *Notice of Levy on Your State Tax Refund – Notice of Your Right to a Hearing* – This letter (CP 92) notifies the taxpayer that the IRS levied the taxpayer's state tax refund in order to satisfy his or her unpaid federal tax. The letter sent to the taxpayer references IRS publications that explain how to request an appeal if the taxpayer disagrees.
- *Post Levy Collection Due Process (CDP) Notice* - A post-levy CDP notice is issued when the taxpayer did not have a prior opportunity for a CDP hearing under IRC 6330. Post levy CDP notices include:
  - Letter 2439, *Notice of Jeopardy Levy and Right of Appeal*;
  - CP 92 or CP 242, *Notice of Levy on Your State Tax Refund, Notice of Your Right to a Hearing*;
  - Letter 1058-D, *Post Levy Collection Due Process (CDP) Notice*; and
  - Letter 1058-F, *Post Levy Federal Contractor Collection Due Process*.

The IRS is required to notify the taxpayer the first time a Notice of Federal Tax Lien is filed for each tax and period within 5 business days after the lien filing. The notice may be mailed, given to the taxpayer, or left at the taxpayer's home or office.

### Requesting a Collection Due Process Hearing

The taxpayer has 30 days to request a collection due process hearing. The lien notice the taxpayer receives will indicate the date on which this 30-day period expires. During the 30-day period beginning on the date of the notice, the taxpayer may request a hearing with Appeals.

While the IRS is generally required to notify taxpayers before seizing property to satisfy tax liability, there are four exceptions to the requirement to issue this notice *before* levy:

- When collection of the tax is in jeopardy;

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<sup>2</sup> CFR is the Code of Federal Regulations.



- When the IRS levies the taxpayer's state tax refund;
- When the criteria for a Disqualified Employment Tax Levy is met; and
- When the IRS serves a federal contractor levy.

Although the notice of seizure in the cases involving these exceptions isn't provided before levy, the taxpayer may request a hearing after the levy action. Request for a Collection Due Process hearing is made by filing IRS Form 12153, Request for a Collection Due Process or Equivalent Hearing and attaching a copy of the lien or levy notice. (IRS [Form 12153](#) is shown in the Appendix and discussed below.)

A taxpayer who received both a lien and a levy notice may appeal both actions by checking the boxes on line 6 of Form 12153. The taxpayer must identify the alternatives to, or reasons for disagreeing with, the lien filing or the levy action. Alternatives or reasons for disagreeing may include:

- Collection alternatives such as installment agreement or offer in compromise;
- Subordination or discharge of lien;
- Withdrawal of Notice of Federal Tax Lien;
- Appropriate spousal defenses;
- The existence or amount of the tax, but only if the taxpayer did not receive a notice of deficiency or did not otherwise have an opportunity to dispute the tax liability; or
- Collection of the tax liability is causing or will cause an economic or other hardship.

Include a copy of the taxpayer's lien and/or levy notice. List all taxes and tax periods included on the notice the taxpayer received for which a hearing is being requested.

### Equivalent Hearing

As noted above, if the taxpayer fails to request a collection due process hearing within the required time period, an equivalent hearing may be requested. If the taxpayer's request for a CDP hearing isn't timely—it's not requested within the 30-day window following receipt of the Notice of Intent to Levy or by the date indicated in the Notice of Federal Tax Lien Filing, in other words—the taxpayer may request an equivalent hearing.

To apply for an equivalent hearing, the Form 12153 request (with box 7 checked) must be postmarked on or before the end of the one-year period after the date of the levy notice or on or before the end of the one-year period plus 5 business days after the filing date of the Notice of Federal Tax Lien.

An equivalent hearing, despite its name, really isn't equivalent to a CDP hearing. A taxpayer may appeal the CDP determination in Tax Court, the equivalent hearing decision, however, cannot be appealed in Tax Court.

### Completing Form 12153

You should complete an IRS Form 12153, *Request for a Collection Due Process or Equivalent Hearing*, if the taxpayer being represented has been issued one of the following lien or levy notices:

- Notice of Federal Tax Lien Filing and Your Right to a Hearing under IRC 6320;
- Notice of Intent to Levy and Notice of Your Right to a Hearing;
- Notice of Jeopardy Levy and Right of Appeal;
- Notice of Levy on Your State Tax Refund; or
- Notice of Levy and Notice of Your Right to a Hearing.

The form should be completed and sent to the address shown on the lien or levy notice received by the taxpayer. When sending Form 12153, include a copy of the taxpayer's lien or levy notice.

The Form has nine short sections. The information requested in the sections on page 1 is shown below:

## Request for a Collection Due Process or Equivalent Hearing

Use this form to request a Collection Due Process (CDP) or Equivalent Hearing (EH) with the IRS Independent Office of Appeals (Appeals) if you have received a letter offering an appeal under IRC 6320/6330 (CDP notice).

IRS Use Only

Complete this form and send it to the address for requesting a hearing (not the payment address) shown on your CDP notice. Include a copy of your CDP notice to ensure proper handling of your request. For further information on these hearings, please see the instructions for this form.

Call the phone number on the CDP notice or 1-800-829-1040 if you are not sure about the correct address or if you want to fax your hearing request.

Si desea ver el formulario y las instrucciones en español, visite <http://www.irs.gov/pub/irs-pdf/f12153sp.pdf>.

1. Basis for hearing request (both boxes can be checked if you have received lien and levy notices)

☐ Filed Notice of Federal Tax Lien ☐ Notice of Proposed or Actual Levy

2. Equivalent Hearing (see the instructions for more information on Equivalent Hearings)

☐ If my request does not meet the requirements for a timely CDP hearing, I would like a hearing that is equivalent to a CDP hearing

3. Taxpayer name (Taxpayer 1)

**Taxpayer Identification Number**

Current address

City State ZIP code

4. Best telephone number and time to call during normal business hours

☐ Home ☐ Work ☐ Cell  
Telephone number Time a.m. p.m.

5. Taxpayer name (Taxpayer 2)

**Taxpayer Identification Number**

Current address

(if different from  
address above)

City State ZIP code

6. Best telephone number and time to call during normal business hours

☐ Home ☐ Work ☐ Cell  
Telephone number Time a.m. p.m.

7. Tax information as shown on your lien or levy notice (include a copy of the notice(s)). You do not have to complete section 7 if you include a copy of the notice(s) you are appealing

Type of Tax (Income, Employment, Excise, etc. or Civil Penalty)	Tax Form Number (1040, 941, 720, etc.)	Tax Period or Periods

The first page of the form is straightforward and simple to complete. The answer to item 1 on the form—the basis for requesting a hearing—depends on the notice (or notices) the taxpayer received. If both a lien and a levy notice were received, check both boxes.

Item 2 gives the taxpayer—a taxpayer whose Form 12153 submission failed to meet the requirement for a timely CDP hearing—an opportunity to request an equivalent hearing. Although a timely filing of Form 12153 will prohibit the IRS' levy action in most cases, it also suspends the 10-year period within which the IRS can collect taxes. Thus, a suspension of six months will lengthen the period in which taxes may be collected from the taxpayer by six months. In contrast, a request for an equivalent hearing does not:

- Prohibit levy; or
- Suspend the 10-year period for collecting the taxpayer's taxes.

In addition, the decision in an equivalent hearing, unlike the decision in a collection due process hearing, cannot be appealed in court.

Items 3 through 6 on Form 12153 identify the taxpayer(s) on whose behalf the form is being submitted and their contact information. Item 7 provides space for the taxpayer to identify the type of tax at issue (income tax, employment tax, excise tax, etc.), the tax form number involved (1040, 941, etc.) and the tax period(s) involved.

Items 8 and 9 on page 2 require additional attention. Page 2 is shown, in part, below and discussed immediately following it:

**8. Reason you are requesting a hearing.** Your request will not be honored if you don't provide a reason for the dispute. Make the best selection(s) from the choices below or use as much space as you need to explain the reason for your request. You may include more pages if you don't have enough space (*see instructions*)

- ☐ I am not liable for the tax the IRS is trying to collect
- ☐ I claim innocent spouse relief (*see instructions*)
- ☐ My taxes were discharged in bankruptcy
- ☐ I've made payments that were not applied to my taxes
- ☐ I want the Notice of Federal Tax Lien withdrawn
- ☐ I am currently unable to pay due to financial hardship (*see paragraph 9*)
- ☐ I am unable to pay in full and would like a collection alternative (*see paragraph 9*)
- ☐ Other issues(s) and/or comment(s) \_\_\_\_\_

**9. Proposed collection alternative (*see instructions*).** If you are currently unable to pay or seek a collection alternative such as an Installment Agreement or Offer in Compromise, prepare a financial statement, Form 433-A (individuals) or Form 433-B (businesses), with your request, unless you meet a financial statement exception (*see below*). Submitting this information with your Form 12153 is not required, but early submission of the form will help you obtain the quickest resolution of your case

- ☐ Installment Agreement      ☐ Offer in Compromise      ☐ Currently Unable to Pay
- ☐ Other (*explain*) \_\_\_\_\_

**Financial Statement Exceptions** (*no financial statements need to be submitted if either of these two situations apply.*)

**Installment Agreement:** To see if you can automatically obtain an installment agreement without providing a financial statement and without an appeal, visit <https://www.irs.gov/payments/online-payment-agreement-application> or scan this QR code:



**Offer in Compromise:** Only if based on Doubt as to Liability.

Item 8 is particularly important in that it provides an opportunity to state the reason the taxpayer disagrees with the IRS' filing of the lien or the levy. Although the taxpayer can't apply for a CDP based on a reason that is frivolous, among the reasons that a taxpayer may offer for disagreeing with the lien or levy filing and requesting a hearing include:

- The taxpayer suggests a collection alternative, such as –
  - Making full payment using a personal check, cashier's check, money order or credit card,
  - An installment agreement under which the taxpayer agrees to full or partial payment by making monthly payments, or
  - An offer in compromise under which the taxpayer offers to make one or more payments to settle the tax liability for less than the full amount of taxes, interest and penalties owed;
- The taxpayer states he or she cannot pay the taxes owed. Based on the existence of a condition warranting it, Appeals may consider freezing collection action until the situation improves,

although interest and penalties continue to accrue on the unpaid balance. Possible reasons for the taxpayer's inability to pay the taxes owed may include that the taxpayer –

- Has a terminal illness or excessive medical bills,
- Has an income source limited to Social Security payments, welfare payments or unemployment benefit payments,
- Is unemployed with little or no income,
- Has reasonable expenses exceeding his or her income, or
- Has some other hardship condition;
- The taxpayer wants an action taken concerning the filing of the tax lien against his or her property by paying the amount due in full or by –
  - Requesting lien subordination, pursuant to which the IRS lien would become secondary to a non-IRS lien. An example of a successful request for lien subordination would be to permit the taxpayer to obtain real property mortgage refinancing that would enable the taxpayer to use the funds to pay taxes due,
  - Requesting a lien discharge, i.e., the removal of the lien from specific property to enable the taxpayer to sell his or her house and use the entire sales proceeds to pay some or all of the taxes due, or
  - Requesting a lien withdrawal because the taxpayer believes the Notice of Federal Tax Lien should not have been filed. Such a request could be appropriate if the taxpayer –
    - Believes the Notice was filed prematurely or the IRS did not follow procedures,
    - Has entered into an installment agreement and the agreement does not provide for the filing of the notice of lien;
- The taxpayer believes his or her spouse (or former spouse) is responsible for all or part of the tax liability. In such a case, the taxpayer is seeking a hearing in order to obtain relief as an

**Note:** Innocent spouse relief may be granted only if all of the following apply:

- The taxpayer filed a joint return for the year(s) entered on Form 8857, line 3;
- There is an understated tax on the return(s) due to any income, deduction, credit, or basis omitted from or incorrectly reported on the joint return of the person with whom the taxpayer filed the joint return;
- The taxpayer can show that when signing the return(s) he or she did not know and had no reason to know that the understated tax existed (or the extent to which the understated tax existed); and
- Taking into account all the facts and circumstances, it would be unfair to hold the taxpayer liable for the understated tax.

innocent spouse and should complete and attach Form 8857, Request for Innocent Spouse Relief, to the request for a hearing (see inset below);

or

- The taxpayer believes he or she –
  - Doesn't owe some or all of the taxes the IRS claims are owed, a challenge that may be advanced if the taxpayer didn't receive a deficiency notice explaining why taxes are

- owed or the taxpayer did not have a previous opportunity to disagree with the amount owed,
- Already paid all or part of the taxes owed, or
- Should not be responsible for penalties because the taxpayer –
  - used ordinary business care and prudence to comply with his or her federal tax obligations but were nonetheless unable to do so, or
  - relied on erroneous written advice from the IRS (see inset below).

**Note:** To successfully rely on erroneous written advice from the IRS as a reason for penalty relief, all of the following conditions normally must be met.

- The IRS advice must have been provided based on complete and accurate information given by the taxpayer,
- The IRS must have written to the taxpayer and given a specific course of action to take or explained what actions not to take,
- The taxpayer must have followed the IRS' written advice in the manner outlined, and
- The taxpayer was penalized for the written advice the IRS gave.

Relief from penalties does not suspend or otherwise affect interest owed by the taxpayer. Removal of a penalty because of erroneous written advice from the IRS requires that Form 843, *Claim for Refund and Request for Abatement*, be completed and sent to the IRS Service Center where the taxpayer filed the tax return for the year he or she relied on erroneous advice from the IRS. When sending Form 843 to the IRS, attach a copy of:

- The original request for advice from the IRS,
- The erroneous written advice received from the IRS, and
- A notice (if any) showing the penalty charged that the taxpayer requests be removed.

Item 9 of Form 12153 advises that, if the taxpayer is claiming a current inability to pay the taxes due or is proposing a collection alternative, a financial statement—IRS Form 433-A or 433-B—generally must be prepared unless it meets the requirement for an exception. If the taxpayer is a wage earner or is self-employed, IRS Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals* should be completed. If the taxpayer is a business other than a sole proprietorship, IRS Form 433-B, *Collection Information Statement for Businesses* should be completed. Although submitting a required financial statement at the time Form 12153 is submitted is not required, doing so may help in obtaining the quickest resolution of the taxpayer's case.

### Office of Appeals Response to a Request for a Hearing

After the taxpayer requests a hearing, the taxpayer may still discuss his or her concerns with the Collection office that sent the lien or levy notice. If the taxpayer is able to resolve the issues with that office, the taxpayer may withdraw the request for a hearing. If the taxpayer is unable to, or does not choose to, resolve the issues with the Collection office, the taxpayer's case will be forwarded immediately to Appeals.

Following a request for a hearing, the Office of Appeals will contact the taxpayer or his/her

representative to schedule a conference. The conference may take place:

- By telephone,
- Via correspondence, or,
- In a face-to-face conference at the Appeals office if the taxpayer qualifies.

To qualify for a face-to-face conference, the taxpayer must not raise any issues that are deemed frivolous or made solely to delay or impede collection. If a collection alternative is being proposed, it may be necessary to submit financial information or tax returns. The Office of Appeals will generally ask the Collection Function to review, verify and provide its opinion on any new information submitted. Comments made by the Collection Function are shared with the taxpayer who will then have an opportunity to respond. If a face-to-face hearing is requested, the Appeals Officer will notify the taxpayer by letter indicating any additional steps that need to be taken to qualify for a face-to-face conference.

No levy action is permitted for the tax and periods during the 30 days following the notice of levy and during the CDP hearing process unless:

- Suspension of the levy would place collection of the tax in jeopardy,
- The levy was served on a state to collect a federal tax liability from a state tax refund,
- A disqualified employment tax levy—a tax levy to collect the payroll tax liability of a taxpayer who requested a CDP hearing for unpaid employment taxes arising in the two-year period prior to the beginning of the taxable period to be collected by the tax levy was served, or
- A federal contractor levy—a seizure of payments to a taxpayer acting as a contractor or vendor to the government—was served.

If the taxpayer's request for a CDP hearing is timely, the 10-year period the IRS has to collect taxes from the taxpayer will be suspended until the date Appeals' determination becomes final or the taxpayer withdraws the request for a hearing in writing.

When the CDP hearing is concluded, Appeals will issue a determination letter unless the taxpayer has withdrawn the hearing request. If the taxpayer doesn't agree with Appeals' determination in a CDP hearing, judicial review of the determination may be requested by petitioning the United States Tax Court within the time period provided for in the Appeals' determination letter.

The taxpayer may not be able to raise issues in the Tax Court if they are not raised during the Appeals hearing, and the Tax Court may limit the evidence the taxpayer can present only to the evidence submitted to Appeals during the hearing. The taxpayer should, therefore, raise all issues and present all evidence during the Appeals hearing, in order to preserve his or her right to raise issues and have evidence considered in subsequent court proceedings.

Appeals will retain jurisdiction over its determination. Thus, a taxpayer may return to Appeals if the Collection function did not carry out Appeals' determination as it was stated or if there is a change in the taxpayer's circumstances that affects Appeals' determination. However, the taxpayer must first try to work with Collection to resolve the problem.

If the request for a CDP hearing is not timely and the taxpayer requests an equivalent hearing, the law does not prohibit levy, and collection is not suspended. Furthermore, the taxpayer cannot go to court if he or she disagrees with Appeals' decision in an equivalent hearing.



## Collection Appeals Program

An alternative to a CDP hearing is the Collections Appeals Program (CAP). The Collection Appeals Program (CAP) cases address a specific collection action proposed or taken and are generally resolved very quickly. However, the taxpayer can't go to court if the taxpayer disagrees with the Appeals decision at the CAP hearing.

The taxpayer may use the CAP process if he or she is involved in any of the following collection actions:

- Notice of Federal Tax Lien, filed or proposed to be filed;
- Levy action, taken or proposed;
- Rejection of Installment Agreement;
- Termination of Installment Agreement;
- Modification of Installment Agreement;
- Disallowance of taxpayer request to return to levied property; or
- Seizure.

A CAP may be requested in order to appeal a lien, levy or seizure, or it may be requested to appeal a modification or termination of an installment agreement. The timing requirements vary, depending on which of those reasons for appeal applies. Accordingly, CAP is available for the following actions:

- Before or after the IRS files a Notice of Federal Tax Lien;
- Before or after the IRS levies or seizes the taxpayer's property;
- Termination, or proposed termination, of an installment agreement;
- Rejection of an installment agreement; and
- Modification, or proposed modification, of an installment agreement.

### Appealing a Lien, Levy, or Seizure Action

Under the Collections Appeals Program, if the taxpayer disagrees with an IRS employee's decision regarding any levy, seizure, or Notice of Federal Tax Lien filing and wants to appeal it, the taxpayer must first ask to have a conference with the IRS employee's manager, unless the appeal involves a rejected, proposed for modification, modified, proposed for termination or terminated installment agreement. If the manager conference fails to resolve the taxpayer's disagreement, the taxpayer or his or her representative should submit Form 9423 to request consideration by Appeals.

If a such a request is intended, inform the Collection office within two business days following the conference with the Collection manager informing the Collection office that the taxpayer plans to submit Form 9423. The process of initiating the appeal varies slightly, depending on whether the taxpayer's IRS contact involved only receipt of a notice or telephone call or the taxpayer had been in contact with a revenue officer.

If his or her only collection contact has been a notice or telephone call, the taxpayer or his or her representative should:

- Call the IRS telephone number shown on the notice received by the taxpayer;
- Explain why the taxpayer disagrees and that the taxpayer wants to appeal the decision; and
- Be prepared during the telephone call to discuss his or her case and have all relevant information handy.

Alternatively, if a taxpayer has already been in contact with a revenue officer, the taxpayer or his or her representative should:

- Call the revenue officer the taxpayer has been dealing with;
- Explain why the taxpayer disagrees and that the taxpayer wants to appeal the decision; and
- Be prepared during the telephone call to discuss his or her case, having all relevant information handy.

### **Manager Conference Request & Suspension of Collection Action**

Following the conference with the manager, the taxpayer can start the appeals process with the Office of Appeals. If the IRS notifies a taxpayer of its intent to seize the taxpayer's house, car, or other property in order to sell his or her interest in the property to apply the proceeds to the tax debt, the taxpayer must make the request for consideration by Appeals within 10 business days after the Notice of Seizure is given to the taxpayer or left at his or her home or business.

In contrast to the required timeliness in the case of IRS seizure of this type of taxpayer's property, there is no deadline to request a manager conference when a levy is served for other types of property (such as wages or bank accounts) or a levy, seizure or Notice of Federal Tax Lien filing is proposed. The collection action may go forward if the request for an appeal is not made within three business days following the conference with the Collection manager.

If the taxpayer requests a conference and isn't contacted by a manager or his/her designee within two (2) business days of making the request, the taxpayer may contact Collection again and request Appeals consideration. In such a case, note the date of the request made for a manager conference in Block 15 of Form 9423 and state that the taxpayer was not contacted by a manager.

### **IRS Office of Appeals Review & Suspension of Collection Action**

If, after a conference with the manager, the taxpayer disagrees with the manager's decision, the taxpayer may request the IRS Office of Appeals review the case under the Collection Appeals Program. If the case is assigned to a Revenue Officer, the taxpayer's request for Appeals consideration should be made within three (3) business days of the conference with the manager or collection actions may resume. The taxpayer must submit a request for Appeals consideration in writing, preferably on Form 9423, Collection Appeal Request.

If the case is not assigned to a Revenue Officer, the taxpayer can appeal the manager's decision in writing or orally, and the case will be forwarded to Appeals for review. The taxpayer's request for Appeals consideration should be made within three (3) business days of the conference with the manager or collection actions may resume.

As noted above, in the event of the failure of a manager to contact the taxpayer or his or her designee within two business days of making the request for a manager conference, the taxpayer may contact Collection again and request Appeals consideration. If the taxpayer submits Form 9423, the date of the request for a conference should be noted in Block 15 and indicate that the taxpayer was not contacted by a manager.

The Form 9423, submitted to the Revenue Officer involved in the lien, levy or seizure action, should be received or postmarked within four (4) business days of the taxpayer's request for a conference as collection action may resume. If the taxpayer files a Collection Appeals Request and doesn't agree with Appeals decisions, the taxpayer cannot proceed to court.

Instances in which the taxpayer can pursue the Collection Appeals Program include, but aren't limited to:

- Before or after the IRS files a Notice of Federal Tax Lien,
- Before or after the IRS seizes ("levy") your property, or
- After the IRS rejects, terminates, or proposes to terminate an existing Installment Agreement (a conference with the manager is recommended, but not required).

Submit a written Installment Agreement Appeal request, preferably using Form 9423, Collection Appeal Request, within the timeframe listed in the notice.

### Completing Form 9423

Completion of IRS Form 9423, Collection Appeal Request, is simple and straightforward. As shown below, the first part of this one page form identifies:

- The taxpayer for whom the appeal is being requested, and
- The collection action—lien, levy, seizure, or installment agreement issue—being appealed.

Despite the form's simplicity, however, timeliness is an absolute must. If the taxpayer, or you as the taxpayer's representative, fails to file within the required time period to appeal a lien, levy or seizure action, collection actions by the IRS may resume.

<b>Form 9423</b> (February 2020)		Department of the Treasury - Internal Revenue Service <b>Collection Appeal Request</b> (Instructions are on the reverse side of this form)	
1. Taxpayer's name		2. Representative (attach a copy of Form 2848, Power of Attorney)	
3. SSN/EIN	4. Taxpayer's business phone	5. Taxpayer's home phone	6. Representative's phone
7. Taxpayer's street address			
8. City	9. State	10. ZIP code	
11. Type of tax (tax form)	12. Tax periods being appealed	13. Tax due	
<b>Collection Action(s) Appealed</b>			
14. Check the Collection action(s) you are appealing			
<input type="checkbox"/> Federal Tax Lien	<input type="checkbox"/> Levy or Proposed Levy	<input type="checkbox"/> Seizure	
<input type="checkbox"/> Rejection of Installment Agreement	<input type="checkbox"/> Termination of Installment Agreement	<input type="checkbox"/> Modification of Installment Agreement	

### Collections Appealed Under CAP

The collection actions a taxpayer may appeal under CAP are:

- **Notice of Federal Tax Lien.** The taxpayer may appeal the proposed filing of a Notice of Federal

Tax Lien (NFTL) or the actual filing of an NFTL at the first and each subsequent filing of the NFTL. The taxpayer may also appeal denied requests to withdraw a NFTL, and denied discharges, subordinations, and non-attachments of a lien. Third parties may file a CAP appeal regarding the filing of a notice of lien against alter ego or nominee property. There are no CDP rights available for persons determined to be nominees or alter egos. Persons assessed as transferees—a includes donee, heir, legatee, devisee, and distributee under Internal Revenue Code (IRC) Section 6901, however, are entitled to CDP rights.

- **Notice of Levy.** The taxpayer may appeal before or after the IRS places a levy on wages, bank account or other property. Once the levy proceeds have been sent to the IRS, the taxpayer may also appeal the denial by the IRS of a request to have levied property returned to the taxpayer. (A request to return levy proceeds must be made within 9 months from the date of such levy if it was made on or before March 22, 2017. If the levy was made on or after March 23, 2017, the request must be made within 2 years from the date of such levy.) The taxpayer may also have additional CDP appeal rights.
- **Seizure of Property.** The taxpayer may appeal before or after the IRS makes a seizure but before the property is sold.
- **Rejection, Modification or Termination of Installment Agreement.** The taxpayer may appeal when the IRS rejects a request for an installment agreement. The taxpayer may also appeal when the IRS proposes to terminate or terminates an installment agreement. In addition, the taxpayer may also appeal when the IRS proposes to modify or modifies an installment agreement.
- **Wrongful Levy.** If the taxpayer is not liable for tax and the IRS has levied or seized property that the taxpayer believes belongs to the taxpayer or in which the taxpayer has an interest superior to the IRS, the taxpayer may appeal the denial by the IRS of the request to release the levy or seizure or return the property or its value. (A request to the IRS to return wrongfully levied property must be in writing, filed within 9 months of the levy or seizure if it was made on or before March 22, 2017, and must satisfy certain requirements. If the levy or seizure was made on or after March 23, 2017, the request must be made within 2 years from the date of the levy or seizure.)

## Appealing a Lien or Levy

Collection contact generally may be made by the IRS by sending a notice or by revenue officer contact. Appeals differ somewhat, depending on the nature of the IRS contact.

### IRS Contact by Notice or Telephone Call

If a taxpayer's only collection contact was by a written notice or telephone call, appeal may be made as follows:

- Call the IRS at the telephone number shown on the notice or identified by the IRS employee in a prior telephone contact. Be prepared to explain which action(s) the taxpayer disagrees with and why the taxpayer disagrees. The taxpayer must also offer a solution to the tax problem;
- If the taxpayer can't reach an agreement with the IRS employee, tell the employee that the taxpayer wants to appeal the decision. The IRS employee must honor the taxpayer's request and will refer the taxpayer to a manager. The manager will either speak with the taxpayer then or will return the call within 24 hours; and

- Explain to the manager which action(s) the taxpayer disagrees with and why. The manager will make a decision on the case. If the taxpayer doesn't agree with the manager's decision, the case will be forwarded to Appeals for review. The taxpayer does not have to submit the appeal request in writing.

#### IRS Contact by Revenue Officer

If a taxpayer's collection contact was made by a revenue officer, appeal may be made as follows:

- If the taxpayer disagrees with the decision of the Revenue Officer, the taxpayer must first request a conference with the Collection manager;
- If the taxpayer does not resolve the disagreement with the Collection manager, the taxpayer may submit a written request for Appeals consideration, preferably by completing Form 9423, Collection Appeal Request. Check the action(s) the taxpayer disagrees with and explain why the taxpayer disagrees. The taxpayer must also offer a solution to resolve the tax problem;
- Submit the Form 9423 to that Collection office;
- If the taxpayer requests an appeal after the IRS makes a seizure, the taxpayer must appeal to the Collection manager within 10 business days after the Notice of Seizure is given to the taxpayer or left at the taxpayer's home or business;
- The taxpayer should let the Revenue Officer or manager know within 2 business days after his or her conference with the Collection manager if the taxpayer wants to appeal under CAP or the IRS will resume collection action. The Collection Appeal Request Form 9423 must be postmarked within 3 business days after the date of the conference with the Collection manager in order to prevent the resumption of collection action; and
- If the taxpayer requests a conference and is not contacted by a manager or the manager's designee within two (2) business days of making the request, the taxpayer can contact Collection again or submit Form 9423. If the taxpayer submits Form 9423, note the date of your request for a conference in Block 15 and indicate that the taxpayer was not contacted by a manager. (See excerpt from Form 9423 below.) The Form 9423 should be received by the IRS or postmarked within four (4) business days of the request for a conference or collection action may resume.

**Explanation**

15. Explain why you disagree with the collection action(s) you checked above and explain how you would resolve your tax problem. Attach additional pages if needed. Attach copies of any documents that you think will support your position. Generally, the Internal Revenue Service Independent Office of Appeals will ask the Collection Function to review, verify and provide their opinion on any new information you submit. We will share their comments with you and give you the opportunity to respond

Under penalties of perjury, I declare that I have examined this request and any accompanying documents, and to the best of my knowledge and belief, they are true, correct and complete. A submission by a representative, other than the taxpayer, is based on all information of which the representative has any knowledge.

16. ☐ Taxpayer's or ☐ Authorized Representative's signature (only check one box) 17. Date signed

**IRS USE ONLY**

18. Revenue Officer's name	19. Revenue Officer's signature	20. Date signed
21. Revenue Officer's phone	22. Revenue Officer's email address	23. Date received
24. Collection Manager's name	25. Collection Manager's signature	26. Date signed
27. Collection Manager's phone	28. Collection Manager's email address	29. Date received

Catalog Number 14169I

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Form **9423** (Rev. 2-2020)**Appealing IRS Denial of Request to Release or Return Wrongfully Seized Property**

If the taxpayer doesn't agree with the denial of the request to release or return wrongfully levied/seized property or its value, the taxpayer must first request a conference with the manager of the Advisory Group denying the request.

Call the telephone number on the letter denying the request and explain that a conference with the Advisory Group manager is being requested. If the conference with the Advisory Group manager doesn't resolve the disagreement and the taxpayer believes the property was wrongfully seized, the taxpayer should submit a written request for Appeals consideration, preferably on Form 9423, Collection Appeal Request.

**Appealing an IRS Installment Agreement Decision**

It isn't only liens and levies that may be appealed in a CAP hearing, various IRS installment agreement decisions may likewise be appealed. IRS decisions concerning installment agreements may involve:

- Rejection of a taxpayer's proposed installment agreement; or
- Termination or modification of an existing installment agreement.

Let's briefly consider the process and timing of the request for appeal of both these IRS decisions.

## Rejection of a Proposed Installment Agreement

In the case of the IRS' rejection of a taxpayer-proposed installment agreement, the taxpayer or his/her representative should call the telephone number shown on the letter rejecting the taxpayer's proposed installment agreement and explain that the taxpayer wants to appeal the rejection. The taxpayer's appeal need not be in writing unless the rejection letter was sent by a Revenue Officer, in which case the taxpayer's request for an appeal must be in writing, preferably using Form 9423, Collection Appeal Request. While a conference is recommended, the taxpayer need not have a conference with a Collection manager before appealing the rejection of a proposed installment agreement.

The taxpayer's request for an appeal of the rejection of a proposed installment agreement must be made on or before the 30th day after the date of the rejection letter (the mailing of a written request, including a Form 9423, must be postmarked on or before such day).

## Termination or Modification of Existing Installment Agreement

If the IRS decision involves the termination or modification of an existing installment agreement, it is usually a decision that is the result of the taxpayer's default.

If the IRS has notified the taxpayer that it intends to terminate an existing installment agreement, call the telephone number shown on the notice that indicates that the IRS intends to terminate the taxpayer's installment agreement. If the taxpayer is unable to resolve the matter on the telephone, then explain that the taxpayer wishes to appeal the termination. The taxpayer's appeal need not be in writing unless the notice of intent to terminate the taxpayer's installment agreement was sent by a Revenue Officer, in which case the taxpayer's request for an appeal must be in writing, preferably using Form 9423, Collection Appeal Request. While a conference is recommended, the taxpayer need not have a conference with a Collection manager before appealing the termination of an installment agreement.

The taxpayer has 30 days from the date of the notice of intent to terminate in which to request an appeal. Unless the taxpayer appeals within 30 days after the date of the notice, or cures the default, the installment agreement will terminate. After the termination of the taxpayer's installment agreement, the taxpayer's right to appeal will continue for an additional 30 days. The taxpayer's written request, if mailed, must be postmarked within the appeal period. If the taxpayer appeals *prior* to the termination of the taxpayer's installment agreement, the taxpayer may not appeal the decision again once the termination takes effect.

## Result of Taxpayer's CAP Appeal

What can the taxpayer or his/her representative expect when appealing? If a lien, levy or seizure is being appealed, requesting an appeal will normally cause the IRS to suspend taking any action to collect the tax for the tax periods Appeals is considering. An exception to that suspension of collection activity applies in cases in which the IRS believes the collection of the tax is at risk or the taxpayer is a business meeting the criteria for a Disqualified Employment Tax Levy. In such cases, collection actions will continue.

If an adverse installment agreement decision has been made resulting in an appeal, the IRS can't levy until 30 days after the rejection or termination of the taxpayer's agreement. If the taxpayer appeals within the 30-day period, the IRS will be prohibited from levying until the taxpayer's appeal is completed unless—as noted earlier in the case of the appeal of a lien, levy or seizure—the IRS believes the collection of the tax is in jeopardy.

Once Appeals makes a decision regarding the taxpayer's case, that decision is binding on both the

taxpayer and the IRS. The taxpayer cannot obtain judicial review of Appeals' decision following a CAP hearing. However, there may be other opportunities to obtain administrative or judicial review of the issue raised in the CAP hearing. For example, a third party may contest a wrongful levy by filing an action in district court. See Publication 4528, Making an Administrative Wrongful Levy Claim Under Internal Revenue Code (IRC) Section 6343(b).

It's important to realize that, despite the inability of the parties to appeal a decision in a CAP, providing false information, failure to provide all pertinent information or fraud will void Appeals' decision.

### Appeal of Other Collection Actions

The taxpayer may also appeal other collection actions, including:

- Rejected Offer in Compromise;
- Proposed Trust Fund Recovery Penalty;
- Denied Trust Fund Recovery Penalty Claim; and
- Denied request to abate penalties (i.e., late payment, late filing, or deposit penalties).

To dispute a penalty in Appeals, follow the protest requirements in Publication 5, The taxpayer's Appeal Rights and How To Prepare A Protest. Also, the correspondence the taxpayer receives on these types of cases will explain where the taxpayer should send the taxpayer's protest.

### Fast Track Mediation

It isn't only through Appeals that IRS-taxpayer disputes can be resolved. In some cases, taxpayers and their representatives may avoid the need to file a formal written protest and engage in the direct challenge represented by CAP and CDP appeals and obtain a faster resolution through mediation.

Fast Track Mediation offers:

- An expedited process;
- A trained mediator; and
- A neutral setting.

The goal of mediation is to help the taxpayer and Collection resolve a dispute. The taxpayer may withdraw from the mediation process at any time, and all the usual appeal rights remain unaffected.

### Mediation Eligibility

Not all IRS-taxpayer disputes are eligible for fast track mediation. The process is designed for certain collection cases and issues to help taxpayers resolve disputes resulting from:

- Offers in Compromise
- Trust Fund Recovery Penalties

In order for the taxpayer to avail himself of the mediation process, a request for mediation must be made by completing and submitting IRS Form 14017, Application for Fast Track Settlement, or IRS Form 13369, Agreement to Mediate, as appropriate, and all documentation required to consider the case has been provided to Collection.

A mediation request may be initiated by the taxpayer or Collection. In order to go forward, however, both the taxpayer and Collection must agree to participate in the process and sign an agreement to mediate prior to attending the mediation session.



Generally within a week of receiving the signed agreement to mediate, the mediator will contact the taxpayer and Collection to schedule the meeting. The mediator will provide a brief explanation of the process and discuss when and where to hold the mediation session.

### Excluded Cases/Issues

Certain cases and issues are excluded from fast track mediation. They include:

- Assessment of the hazards of litigation<sup>3</sup>;
- Cases referred to the Department of Justice;
- Issues for which mediation would be inconsistent with sound tax administration;
- Cases in which the taxpayer has failed to respond to IRS communications or failed to submit documentation to Collection for consideration;
- Collection Due Process cases;
- Collection Appeals Program cases;
- Cases worked at a Collection Campus site; and
- Frivolous issues.

### The Mediation Process

The process involves an Appeals Officer who has been trained in mediation whose role is to facilitate communication. The mediator will work with the taxpayer and Collection to obtain the information necessary to understand the nature of the dispute, the issues involved and the positions of both parties.

The mediator may conduct both separate and joint discussions with the taxpayer and Collection. The purpose is to help both parties reach a mutually satisfactory resolution that is consistent with the applicable law. The mediator has no authority to require either party to accept any resolution. For additional information concerning Fast Track Mediation for small business self-employed taxpayers, see Publication 5022, Fast Track Settlement: A Process for Prompt Resolution of Small Business Self Employed Tax Issues and Publication 3605, Fast Track Mediation: A Process for Prompt Resolution of Tax Issues for additional information on fast track mediation for taxpayers with Collection issues.

### Summary

- The most important initial step to take after being notified the IRS plans to enforce collection is to put a halt to the collection action to provide the time needed to review the situation and devise a plan of action.
- A practitioner should obtain, complete, sign and have the taxpayer sign a Form 2848, Power of Attorney and Declaration of Representative in order to represent the taxpayer.
- To represent a taxpayer before the IRS, a practitioner needs to obtain a Form 2848 from every party to a filing.
- The Taxpayer Bill of Rights gives a taxpayer the right to appeal an IRS decision in an independent forum.
- The right to appeal offers taxpayers a) the fair and impartial administrative appeal of most IRS decisions, b) the right to receive a written response regarding the Office of Appeals' decision, and, c) to take their cases to court if unsatisfied.

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<sup>3</sup> A hazards settlement is an intermediate resolution of an issue based upon the fact that there is uncertainty in the event of litigation as to how the courts would interpret and apply the law or as to what facts the court would find.

- The two principal methods of appealing an IRS decision are the Collection Due Process (CDP), and the Collection Appeals Program (CAP).
- The Collection Due Process (CDP) allows the taxpayer to challenge the existence and amount of tax liability.
- A Collection Appeals Program (CAP) hearing may be requested in order to appeal a lien, levy or seizure, or it may be requested to appeal a modification or termination of an installment agreement.
- The Office of Appeals decision in a Collection Due Process may be contested in U.S. Tax Court.
- The Office of Appeals decision under the Collection Appeal Process (CAP) is final on all parties and may not be appealed in U.S. Tax Court.
- The IRS must notify the taxpayer the first time a Notice of Federal Tax Lien (NFTL) is filed for each tax and period within 5 business days after the lien filing.
- The taxpayer has 30 days, after the 5-day period following the filing of a lien, to request a collection due process hearing.
- The IRS is generally required to notify taxpayers before seizing property to satisfy tax liability.
- The IRS is permitted to notify a taxpayer after a levy 1) when collection of the tax is in jeopardy, 2) when the IRS levies a taxpayer's state tax refund, 3) when the criteria for a Disqualified Employment Tax Levy is met, and 4) when the IRS serves a federal contractor levy.
- If the taxpayer fails to request a collection due process hearing within the required time period, an equivalent hearing may be requested.
- Timely filing of Form 12153, *Request for a Collection Due Process Hearing*, will prohibit the IRS' levy action in most cases and also suspends the 10-year period within which the IRS can collect taxes.
- The decision in a CDP equivalent hearing cannot be appealed in U.S. Tax Court.
- Relief from IRS-imposed penalties does not suspend or otherwise affect interest owed by the taxpayer.
- An Office of Appeals hearing may take place by telephone, correspondence, or in a face-to-face conference at the Appeals office if the taxpayer qualifies.
- If the taxpayer doesn't agree with Appeals' determination in a CDP hearing, judicial review of the determination may be requested by petitioning the United States Tax Court within the time period provided for in the Appeals' determination letter.
- The CAP procedure is available under more circumstances than the CDP and usually results in a quicker Appeals decision.
- IRS actions that may be appealed under CAP are Notice of Federal Tax Lien, Notice of Levy, Seizure of Property, Rejection, Modification or Termination of Installment Agreement, Wrongful Levy, rejection of a taxpayer's proposed installment agreement and termination or modification of an existing installment agreement.
- Fast Track Mediation provides an alternative to a hearing and offers an expedited process, a trained mediator, and a neutral setting.
- Fast Track Mediation is designed for certain collection cases and issues to help taxpayers resolve disputes resulting from Offers in Compromise and Trust Fund Recovery Penalties.

## Chapter 2 Review

1. Under which of the following could a taxpayer effectively challenge the amount of his or her income tax liability?
  - A. Collection Due Process

- B. Collection Appeals Program
  - C. Bankruptcy hearing
  - D. The amount of a taxpayer's tax liability cannot be challenged
2. Susan and Harry, a married couple filing jointly, have received a notice from the IRS that it intends to seize their residence to satisfy their overdue tax debt. What deadline applies to their request for consideration by Appeals?
- A. Request for consideration must be made within two business days following receipt of Notice of Seizure
  - B. Request for consideration must be made within ten business days following receipt of Notice of Seizure
  - C. Request for consideration must be made within thirty business days following receipt of Notice of Seizure
  - D. No deadline applies to the taxpayer's request for consideration by Appeals
3. Phil received a notice from the IRS that it intends to garnish his wages to satisfy his tax debt. What deadline applies to his request for consideration by Appeals?
- A. Request for consideration must be made within two business days following receipt of Notice of Seizure
  - B. Request for consideration must be made within ten business days following receipt of Notice of Seizure
  - C. Request for consideration must be made within thirty business days following receipt of Notice of Seizure
  - D. No deadline applies to the taxpayer's request for consideration by Appeals

# Glossary

Automated collection system (ACS)	A system designed to efficiently collect taxes due with a minimum of human interaction. Under the system, the IRS sends a series of increasingly-threatening letters to taxpayers who owe unpaid taxes.
Collection Appeals Program	An alternative to a CDP hearing in which a specific collection action proposed or taken by the IRS is challenged and is generally resolved more quickly than a CDP hearing. Its decision cannot be appealed to the U.S. Tax Court.
Collection Due Process	An action that allows the taxpayer to challenge the existence and amount of tax liability assessed by the IRS. A CDP decision may be challenged in U.S. Tax Court.
Collection Due Process Equivalent Hearing	An action that allows the taxpayer to challenge the existence and amount of tax liability assessed by the IRS if the taxpayer failed to request a timely Collection Due Process hearing.
Discharge of property	IRS removal of a lien from property so that it may be transferred to a new owner free of the lien.
Guaranteed installment agreement	An installment agreement the IRS must accept if the taxpayer is an individual who owes income tax only of \$10,000 or less (excluding penalties and interest (P&I)) and meets other requirements.
IRS Independent Office of Appeals (Appeals)	An IRS organization separate and independent from the IRS Examination and Collection functions whose mission is to resolve tax controversies without litigation, on a basis which is fair and impartial to both the government and the taxpayer, and in a manner that will enhance voluntary compliance and the taxpayer's confidence in the integrity and efficiency of the Service.
Notice of Federal Tax Lien (NFTL)	A public notification filed with designated state and local jurisdictions by the IRS to put third parties on notice of the existence of a federal tax lien.
Payment plan	An agreement between the IRS and the taxpayer under which the taxpayer is given a specified period of time to pay the taxes owed.
Payment plan fees	Fees added to a taxpayer's tax bill If the IRS approves a taxpayer's payment plan (installment agreement).
Private collection agencies (PCAs)	Bill collection agencies authorized by Congress to assist the IRS in collecting certain overdue tax accounts.

Subordination	Agreement by the IRS to assume a junior position, allowing a named creditor to move its junior creditor position ahead of the United States' position for the property.
Tax collection statute of limitations	The ten-year period of time following the date taxes are assessed during which the IRS can attempt to collect taxes due from a taxpayer.
Tax levy	A legal seizure of the taxpayer's property to satisfy a tax debt.
Tax lien	A legal claim against the taxpayer's property to secure payment of a tax debt.
Taxpayer Bill of Rights	A document that groups the existing taxpayer rights in the tax code into ten fundamental rights, and makes them clear, understandable, and accessible to taxpayers.
Withdrawal	Removal by the IRS of its notice of federal tax lien (NFTL).

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# Answers to Chapter Review Questions

## Chapter 1

### Question 1 Feedback

- A. Your answer is incorrect. Although the IRS normally has a period of ten years during which to collect taxes due, that period of time may be suspended, i.e., extended.
- B. Your answer is incorrect. The period of time following the IRS' rejection of a taxpayer's request during which the collection of taxes may be suspended is 30 days. That period of suspension does not apply to periods during which the taxpayer is continuously living outside the U.S.
- C. Your answer is correct. The time during which the IRS can collect taxes due may be suspended if the taxpayer lives outside the U.S. continuously for at least 6 months. Collection is suspended while the taxpayer remains outside the U.S.
- D. Your answer is incorrect. The minimum period of time a taxpayer must be living outside the U.S. for suspension to apply is 6 months. However, the amount of time to collect taxes due is suspended for 6 months only if the taxpayer has lived continuously outside the U.S. for 6 months; In this case, Leo lived outside the U.S. for one year.

### Question 2 Feedback

- A. Your answer is incorrect. A period of 180 days is the maximum payment period under a short-term payment plan. An installment agreement is a long-term payment plan.
- B. Your answer is correct. Under a long-term monthly full payment plan, a taxpayer must agree to pay all amounts owed in no more than 72 months or within the statute of limitations, if shorter. Since seven years of the ten-year statute of limitations had run, they must agree to pay all amounts owed in no longer than a three-year period.
- C. Your answer is incorrect. Taxpayers opting for an installment agreement must agree to pay all amounts owed in no more than 72 months or within the statute of limitations, if shorter. In Bill and Shirley's case, the statute of limitations is shorter.
- D. Your answer is incorrect. Ten years is the duration of the statute of limitations. While it may play a part in the maximum duration of an installment agreement, it is not the maximum duration.

### Question 3 Feedback

- A. Your answer is correct. An agreement entered into allowing property to be sold and proceeds held in a fund subject to U.S. claims may be the basis for discharge of specified property from a federal tax lien.
- B. Your answer is incorrect. As the term is used with respect to federal tax liens, subordination means that the U.S. agrees to assume a junior position and allows a named creditor to move its junior creditor position ahead of the United States' position for the property. No subordination was requested in this case.

- C. Your answer is incorrect. Withdrawal of a notice of federal tax lien provides assurance to a taxpayer's creditors that the IRS is not competing with them for the taxpayer's property. In the case presented, the taxpayers have agreed to liquidate the property and have the funds held to satisfy the tax liability.
- D. Your answer is incorrect. Bankruptcy is not a strategy to have a federal tax lien or Notice of lien lifted. The tax debt, federal tax lien and the notice may continue after the taxpayers have been through bankruptcy.

## Chapter 2

### Question 1 Feedback

- A. Your answer is correct. The Collection Due Process (CDP) allows the taxpayer to challenge the existence and amount of tax liability, and the Office of Appeals decision in a Collection Due Process may be further contested in U.S. Tax Court.
- B. Your answer is incorrect. A Collection Appeals Program hearing may be requested in order to appeal a lien, levy or seizure, or it may be requested to appeal a modification or termination of an installment agreement.
- C. Your answer is incorrect. Bankruptcy is designed to help people who cannot pay their debts get a fresh start by liquidating assets to pay their debts or by creating a repayment plan. However, any tax debt, federal tax lien and notice may continue after the bankruptcy.
- D. Your answer is incorrect. The Taxpayer Bill of Rights explicitly gives taxpayers the right to challenge the position of the IRS and be heard by it.

### Question 2 Feedback

- A. Your answer is incorrect. Under the Collections Appeals Program, if the taxpayer disagrees with an IRS employee's decision regarding any levy, seizure, or Notice of Federal Tax Lien filing and wants to appeal it, the taxpayer must ask to have a conference with the IRS employee's manager. If the manager conference fails to resolve the taxpayer's disagreement, the taxpayer or his or her representative should submit Form 9423 to request consideration by Appeals, and the taxpayer should inform the Collection office within two business days following the conference with the Collection manager that the taxpayer plans to submit Form 9423. The two-day requirement does not apply to the IRS' notice that it intends to seize the taxpayer's residence, however.
- B. Your answer is correct. If the IRS notifies a taxpayer of its intent to seize the taxpayer's house, car, or other property in order to sell his or her interest in the property to apply the proceeds to the tax debt, the taxpayer must make the request for consideration by Appeals within 10 business days after the Notice of Seizure is given to the taxpayer or left at his or her home or business.
- C. Your answer is incorrect. If the IRS has notified the taxpayer that it intends to terminate an existing installment agreement, the taxpayer has 30 days from the date of the notice of intent to terminate in which to request an appeal. That period of time does not apply to an Appeals request concerning property seizure.



- D. Your answer is incorrect. There is no deadline to request a manager conference when a levy is served for other types of property (such as wages or bank accounts) or a levy or seizure or Notice of Federal Tax Lien filing is proposed.

#### Question 3 Feedback

- A. Your answer is incorrect. The taxpayer should inform the Collection office within two business days following a conference with the Collection manager that the taxpayer plans to submit Form 9423. The two-day requirement does not apply to the IRS' notice that it intends to garnish the taxpayer's wages, however.
- B. Your answer is incorrect. A 10-business day notice of appeal applies if the IRS notifies a taxpayer of its intent to seize the taxpayer's house, car, or other property. The 10 business day requirement does not apply to an appeal of the IRS' intention to garnish wages.
- C. Your answer is incorrect. A taxpayer has 30 days from the date of the notice of intent to terminate an installment agreement in which to request an appeal. That period of time does not apply to an Appeals request concerning wage garnishment.
- D. Your answer is correct. No deadline applies to request a manager conference when a levy is served for wages.



**8. Reason you are requesting a hearing.** Your request will not be honored if you don't provide a reason for the dispute. Make the best selection(s) from the choices below or use as much space as you need to explain the reason for your request. You may include more pages if you don't have enough space (*see instructions*)

- ☐ I am not liable for the tax the IRS is trying to collect
- ☐ I claim innocent spouse relief (*see instructions*)
- ☐ My taxes were discharged in bankruptcy
- ☐ I've made payments that were not applied to my taxes
- ☐ I want the Notice of Federal Tax Lien withdrawn
- ☐ I am currently unable to pay due to financial hardship (*see paragraph 9*)
- ☐ I am unable to pay in full and would like a collection alternative (*see paragraph 9*)
- ☐ Other issue(s) and/or comment(s) \_\_\_\_\_

**9. Proposed collection alternative (*see instructions*).** If you are currently unable to pay or seek a collection alternative such as an Installment Agreement or Offer in Compromise, prepare a financial statement, Form 433-A (individuals) or Form 433-B (businesses), with your request, unless you meet a financial statement exception (*see below*). Submitting this information with your Form 12153 is not required, but early submission of the form will help you obtain the quickest resolution of your case

- ☐ Installment Agreement      ☐ Offer in Compromise      ☐ Currently Unable to Pay
- ☐ Other (*explain*) \_\_\_\_\_

**Financial Statement Exceptions** (*no financial statements need to be submitted if either of these two situations apply.*)

**Installment Agreement:** To see if you can automatically obtain an installment agreement without providing a financial statement and without an appeal, visit <https://www.irs.gov/payments/online-payment-agreement-application> or scan this QR code:



**Offer in Compromise:** Only if based on Doubt as to Liability.

#### 10. Signatures

I understand the CDP hearing and any subsequent judicial review will suspend the statutory period of limitations for collection action. I also understand either my representative or I (but not both) must sign and date this request before Appeals can accept it. If you are signing as an officer of a company, add your title (president, secretary, etc.) behind your signature.

#### SIGN HERE

Taxpayer 1's signature	Date
Taxpayer 2's signature ( <i>if a joint request, both must sign</i> )	Date

Representative's signature (*include an executed Form 2848 if signing for the taxpayer(s) unless a Form 2848 is already on file*)

Representative's name	Telephone number	Date
-----------------------	------------------	------

#### IRS Use Only

IRS employee ( <i>print</i> )	Telephone number	Received date
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## Important Things to Know for a CDP or Equivalent Hearing

Your timely request for a CDP hearing will prohibit levy action in most cases. A timely request for a CDP hearing will also suspend the 10-year period IRS has, by law, to collect your taxes. Both the prohibition on levy and the suspension of the 10-year period will last until the determination Appeals makes about your disagreement is final. The amount of time the suspension is in effect will be added to the time remaining in the 10-year period. For example, if the 10-year period is suspended for six months, the time left in the period the IRS has to collect taxes will be extended by six months. You can go to court to appeal the CDP determination Appeals makes about your disagreement.

If you want a hearing with Appeals after the deadline for requesting a timely CDP hearing has passed, you must check the box in item 2. **In this case you will receive an equivalent hearing, which is the same as a CDP hearing except it does not prohibit levy or suspend the 10-year period for collecting your taxes; also, you cannot go to court to contest Appeals' decision about your disagreement.** You must request an equivalent hearing within the following timeframe:

- Lien Notice—one year plus five business days from the filing date of the Federal Tax Lien.
- Levy Notice—one year from the date of the CDP levy notice.

Keep a copy of your hearing request and proof of the date you sent it.

Your request for a CDP levy hearing, whether timely or equivalent, does not prohibit the IRS from filing a notice of federal tax lien.

You will have to explain your reason for requesting a hearing when you make your request. Below are examples of reasons for requesting a hearing.

**"I am not liable for (I don't owe) all or part of the taxes."** You can generally raise a disagreement about the amount you owe if you did not receive a deficiency notice for the liability or if you have not had another prior opportunity for Appeals or a court to consider your disagreement with the amount you owe. A deficiency notice is a notice explaining why you owe taxes—it gives you the right to challenge in court, within a specific time frame, the additional tax the IRS says you owe.



**Penalty appeal**—Appeals may remove all or part of the penalties if you have a reasonable cause for not paying or not filing on time. For what is reasonable cause to remove penalties, see Notice 746, Information About Your Notice, Penalty and Interest, at <https://www.irs.gov/pub/irs-pdf/n746.pdf>, or by scanning this QR code.

**Innocent Spouse Relief** - You believe that your spouse or former spouse is the only one responsible for all or a part of the tax liability. Learn more about this request at <https://www.irs.gov/businesses/small-businesses-self-employed/innocent-spouse-relief>, or by scanning this QR code. You must complete Form 8857, Request for Innocent Spouse Relief, for an Innocent Spouse request to be considered.



**Prior bankruptcy**: You may have received a prior bankruptcy discharge and your taxes were not excepted from the discharge. Note that even if your taxes were discharged, your pre-bankruptcy property may remain subject to a tax lien if the property was excluded from the bankruptcy or if a notice of the lien was filed before the bankruptcy. Learn more about bankruptcy at <https://www.irs.gov/businesses/small-businesses-self-employed/declaring-bankruptcy>, or by scanning this QR code.

**"I've made payments that were not applied to my taxes."** You may disagree with the amount the IRS says you have or have not paid.

**If You Want to Propose a Lien Resolution – For the filing of a Notice of Federal Tax Lien (NFTL) against your property, choose a lien resolution and submit appropriate documentation with this form.**

**Withdrawal**: When you request a withdrawal of the NFTL, you are asking the IRS to remove the NFTL information from public records because you believe the NFTL should not have been filed.

**Subordination**: When you request a subordination, you are asking the IRS to make a Federal Tax Lien secondary to a non-IRS lien.

**Release**: You can get a Federal Tax Lien released if you pay your taxes in full or complete the terms of an accepted Offer-in-Compromise.

**Discharge**: When you request a discharge, you are asking the IRS to remove a Federal Tax Lien from a specific property.

Learn more about the NFTL, what may be the right alternative to your issue, and what documentation to include with your Form 12153 at <https://www.irs.gov/businesses/small-businesses-self-employed/understanding-a-federal-tax-lien>, or by scanning this QR Code:



**If You Want to Propose a Collection Alternative — Common collection alternatives include:**

- **Full payment**— Pay your taxes by personal or cashier's check, money order, or other approved method. To learn more about payments, visit <https://www.irs.gov/payments>.

- **Installment Agreement or Short-Term Payment Plan**—Pay your taxes fully or partially through monthly or deferred payments.

- **Offer in Compromise**—You offer to make one or more payments to settle your tax liability for less than the full amount you owe. To learn more about this resolution, visit <https://www.irs.gov/payments/offer-in-compromise> or by scanning this QR code:



- **Currently Unable to Pay**—You may not be able to pay due to job loss, illness, reasonable expenses that exceed income, etc. Appeals may consider freezing collection action until your circumstances improve. Interest and applicable penalties will continue to accrue on your liability.



If you want to discuss with Appeals a collection alternative listed in Item 9 of the Form 12153, submit a completed Form 433-A (individual) and/or Form 433-B (business), as appropriate, with this form. Submitting this information with your Form 12153 is not required but will help you obtain the quickest resolution of your case. Locate copies of these forms at <https://www.irs.gov/businesses/small-businesses-self-employed/collection-process-for-taxpayers-filing-and-or-paying-late>, or by scanning this QR code.

Appeals will evaluate the financial information and your specific circumstances to try to reach an agreement with you regarding payment or other resolution of your issues. Appeals may ask the IRS Collection Function to review, verify and provide its opinion on any information you submit. Appeals will share Collection's comments with you and give you the opportunity to respond.

**Publications and Other Resources**

**It is best to use the contact information on your CDP notice for any questions about your request for a hearing and the matters you wish to appeal.**

You may refer to the publications listed below for questions about the Collection process and your rights.

Publication 594  
The IRS Collection Process

<https://www.irs.gov/pub/irs-pdf/p594.pdf>



Publication 1660  
Collection Appeal Rights

<https://www.irs.gov/pub/irs-pdf/p1660.pdf>



Publication 2105  
Why do I have to pay taxes?

<https://www.irs.gov/pub/irs-pdf/p2105.pdf>



Tax professionals who are independent from the Internal Revenue Service (IRS) may be able to help you. Low Income Taxpayer Clinics (LITCs) can represent low-income persons before the IRS or in court. LITCs can also help persons who speak English as a second language. Any services provided by an LTC must be for free or a small fee. To find an LTC near you:

- Go to [www.taxpayeradvocate.irs.gov/litc](http://www.taxpayeradvocate.irs.gov/litc);
- Download IRS Publication 4134, Low Income Taxpayer Clinic List, available at <https://www.irs.gov/forms-instructions>; or by scanning this QR code.
- Call the IRS toll-free at 800-829-3676 and ask for a copy of Publication 4134.



State bar associations, state or local societies of accountants or enrolled agents, or other nonprofit tax professional organizations may also be able to provide referrals.

**You can get copies of tax forms, schedules, instructions, publications, and notices at [www.irs.gov](http://www.irs.gov), at your local IRS office, or by calling toll-free 1-800-TAX-FORM (829-3676).**

# Final Exam

## IRS Collections & Installment Arrangements

The following exam is attached only for your convenience. To access the official exam for this self-study course, please log into your account online and take the Final Exam from the course details page. A passing score of 70 percent or better will receive course credit and a Certificate of Completion.

- 1. The Taxpayer Bill of Rights includes the right to be informed with respect to all of the following EXCEPT:**
  - A. the tax laws
  - B. the risk of audit
  - C. applicable IRS procedures
  - D. IRS decisions with respect to their tax accounts
- 2. What is the maximum duration of time the IRS normally has to collect taxes due from a taxpayer?**
  - A. 3 years
  - B. 5 years
  - C. 10 years
  - D. No maximum period of time applies to the collection of taxes due
- 3. What is the maximum tax liability, including penalties and interest, the IRS will normally permit a taxpayer to pay under a long-term payment plan?**
  - A. \$25,000
  - B. \$50,000
  - C. \$75,000
  - D. \$100,000
- 4. Over what maximum period of time may a taxpayer eligible for an installment agreement, i.e., a full payment long-term payment plan, normally be given to pay all amounts owed to the IRS?**
  - A. 180 days
  - B. 3 years
  - C. 6 years
  - D. 10 years
- 5. The IRS must accept an otherwise eligible taxpayer's proposal to pay in installments if the taxpayer is an individual who owes income tax only of \_\_\_\_\_ or less.**
  - A. \$5,000

- B. \$10,000
  - C. \$25,000
  - D. \$50,000
- 6. Under the Taxpayer Bill of Rights, a taxpayer has the right to challenge the position of the IRS and do all of the following EXCEPT**
- A. raise objections and provide additional documentation in response to formal IRS actions
  - B. expect that the IRS will consider timely objections and documentation promptly and fairly
  - C. receive a response if the IRS does not agree with their position
  - D. obtain copies of taxpayer returns in which similar challenges were made
- 7. The IRS filed a tax lien against Arthur. What period of time does he have to request a Collection Due Process (CDP) hearing?**
- A. A CDP hearing is not available to challenge a tax lien
  - B. 5 days
  - C. 20 days
  - D. 30 days
- 8. Which of the following may be challenged in a Collection Due Process hearing?**
- A. A Notice of Federal Tax Lien filing
  - B. A levy
  - C. The existence of tax liability
  - D. A seizure
- 9. Within what period of time following the IRS' filing of a tax lien is the IRS required to notify the taxpayer?**
- A. Within 5 days
  - B. Within 10 days
  - C. Within 30 days
  - D. No IRS notification of the taxpayer is required
- 10. John received an IRS Notice of Seizure of his automobile to satisfy his tax debt. If he wants to challenge the seizure, within what period of time following receipt of the notice must he make a request for consideration by Appeals?**
- A. 10 business days
  - B. 30 business days
  - C. 3 months
  - D. 6 months