Installment Agreements and Taxpayer Rights

1. Request full payment of the tax liability. Encourage taxpayers to pay the tax liability as quickly as possible.
2. If taxpayers are unable to pay in full, determine if they qualify for a Guaranteed, Streamlined, or In Business Trust Fund Express agreements (see IRM 5.14.5).
3. If they do not qualify for Guaranteed, Streamlined or Express processing, secure a complete Collection Information Statement (CIS) (See IRM 5.1.10.3.2.)
4. Taxpayers with aggregate individual income tax liabilities of $10,000 or less without regard to penalties, interest, additions to the tax and additional amounts may be guaranteed an IA. Taxpayers with an aggregate unpaid balance of assessment (SUMRY) equal to $50,000 or less may qualify for Streamlined Agreements. The unpaid balance of assessment includes tax and assessed interest and penalties. It does not include accrued interest and penalty. (See IRM 5.14.5.3 and IRM 5.14.5.2, Guaranteed and Streamlined Installment Agreements.)
5. There are various methods for making monthly installment agreement payments. Taxpayers should be encouraged to use one of the following electronic methods or credit card payments before accepting payment by check or money order:
   A. Electronic Federal Tax Payment System (EFTPS) – Taxpayers will select the "payment-due with IRS notice" payment type for posting to Masterfile with a TC 670. EFTPS has the ability to schedule payments up to 12 months in advance for individual taxpayers and up to 4 months in advance for business taxpayers. The taxpayer must initiate payments by sending instructions to EFTPS. (See IRM 21.7.1.4.8.1 for complete instructions).
   B. Direct Debit installment agreements - If taxpayers maintain a checking account you should encourage them to take advantage of the direct debit installment agreement. (See IRM 5.14.10.4 - .5 for Direct Debit procedures.)
   C. Payroll Deduction installment agreements - If taxpayers will not agree to a direct debit installment agreement, encourage them to take advantage of the payroll deduction agreement. (See IRM 5.14.10.2 for Payroll Deduction procedures.)
   D. Credit Card installment agreement payment - See IRM 21.2.1.48.4 for procedures for paying by credit card.
   E. Payment by check or money order - If payments are made by check, they should be payable to: "US Treasury". However, checks made out to "Internal Revenue Service" or "IRS" will be processed.
   F. Direct Pay is a free service that allows taxpayers to make electronic payments directly to the IRS from their checking or savings accounts. See IRM 21.2.1.48.1, IRS Direct Pay, for further information
6. Certain taxpayers who enter into installment agreements on timely filed returns will have the failure to pay penalty reduced from a half to a quarter percent per month for any month in which an installment agreement is in effect. (IRM 5.14.1.3 describes necessary inputs for TC 971 action codes.) Input of TC 971 AC 063 reduces failure to pay penalty from one half (0.5) to one quarter (0.25) percent per month if all of the following conditions are met:
   A. the installment agreement was entered into on or after January 1, 2000;
   B. the balances are due from an individual (whether IMF or BMF, due on income, employment or excise tax returns);
   C. the tax return(s) was timely filed, including extensions; and
   D. no CP 504, LT 11, or Letter 1058 was sent (indicated by a TC 971 AC 069), increasing the failure to pay penalty from one-half (0.5) to one (1) percent.

Note:

If agreements are terminated, penalties increase to one-half (0.50) percent. Input of TC 971 AC 163 causes reversal of the reduction.
7. See IRM 5.14.7.5(1)(a) — (d), regarding designation of payments during installment agreements.

8. In discussing installment agreements, inform taxpayers that:
   A. penalties and interest continue to accrue on unpaid liabilities. Provide taxpayers with current percentage amounts and interest rates. If taxpayers request further information regarding penalties and interest, IRM 20.1.2, provides rates for IRC 6651(a)(1) "failure to file" and IRC 6651(a)(2) "failure to pay" penalties in its sections 2.3.1(2) and 2.4.1(2), respectively. IRM 20.2.6 provides interest computation information. The following SERP web site provides interest rates and tables:

   B. there is an Installment Agreement User Fee - $120 for new agreements, $50 for reinstated agreements and $52 for direct debit installment agreements. (See IRM 5.14.9.10 and IRM 5.19.1.5.4.3);
   C. low income individual taxpayers have the right to apply for a reduced user fee of $43 for entering into an installment agreement or a direct debit agreement. The low-income rate of $43 is charged to taxpayers based on the Reduced User Fee Indicator (RUF) on Masterfile. Advise taxpayers that they will be charged the appropriate rate based on a systemic review of their income and exemptions on the last-filed return, and if they feel that their current circumstances would qualify them for the reduced user fee the reduced user fee application, Form 13844, is available at www.irs.gov or by phone at 1-800-829-3676 for them to access and file. The reduced user fee applies only to individuals (not to partnerships or corporations). There are no low income user fee reductions allowed to the $50 fee for reinstating or restructuring an agreement. Taxpayers will be informed of their right to apply for a reduced fee in the installment agreement acceptance letter. Inform taxpayers that Form 13844 must be submitted within 30 days of the date on the installment agreement acceptance letter. The contact employee will not make the determination of whether taxpayers qualify for the reduced user fee; that determination will be made when the Form 13844 is processed and validated. Once the Service determines that taxpayers qualify for the reduced fee, any amount of the fee collected in excess of $43 will be credited against taxpayers' Internal Revenue Code liabilities and thereby will reduce the amount of interest and penalties that might otherwise accrue;
   D. a notice of federal tax lien may be filed (see IRM 5.14.1.4.2) and if a lien was previously filed, it remains on file;

   Note:

   A Notice of Federal Tax Lien will not be filed on any individual shared responsibility payment liabilities under the Affordable Care Act.

   E. there is the possibility of a levy if the agreement is terminated;

   Note:

   A levy will not be issued on any individual shared responsibility payment liabilities under the Affordable Care Act.

   F. current returns for taxes must be filed and current deposits paid before an installment agreement can be approved and the taxpayer must remain tax compliant for the entire term of the installment agreement, or he/she will default the agreement. If applicable, remind the taxpayer of the obligation to make estimated tax payments to avoid accruing new tax liabilities, that would default their agreement; and,
   G. federal tax refunds will be offset (see IRM 5.14.1.4.1(18)(e)); and,
   H. there is a right to appeal proposed terminations of installment agreements, terminations of installment agreements and rejections of requests for installment agreements. (See IRM 5.14.9.8.)
   I. advise the taxpayer that the CSED will be suspended while the IA is pending, and during the appeal of a rejected IA proposal or during the IA termination process.

9. In accordance with law, each year the IRS mails Computer Paragraph (CP) 89, "Annual Installment Agreement Statement," to every installment agreement taxpayer. The statement provides:

   • the dollar amount of beginning account balance(s) due;
   • an itemized listing of payments;
   • an itemized listing of penalties, interest and other charges; and
   • the dollar amount of ending account balance(s) due.

10. IRC 6502(a)(2)(A) provides that statutory periods for collection may be extended in connection with granting installment agreements. However, it is the policy of the Internal Revenue Service that CSED extensions are
permitted only in conjunction with Partial Payment Installment Agreements and only in certain situations (See IRM 5.14.2.1.3.)