

# "WHAT TYPE OF INSTALLMENT AGREEMENT IS RIGHT FOR ME?"

Did you know? **Installment Agreements (also known as Payment Plans), are the IRS' most popular resolution tool. All Installment Agreements require that a taxpayer be in compliance with filing and paying taxes prior to the Installment Agreement being granted.**

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**Guaranteed** Statutory for taxpayers having an aggregate balance of \$10,000 or less (excluding penalty and interest). It does not apply to employment taxes.

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**Streamlined (under 25k)** For taxpayers having an aggregate balance of \$25,000 or less. This does not apply to employment taxes unless the business has closed. The payment can not exceed 72 months. A notice of Federal Tax Lien can be avoided or withdrawn if already filed.

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**Streamlined (25k-50k)** For individuals. It does not apply to employment taxes. The payment plan can not exceed 72 months. A Notice of Federal Tax Lien can be avoided if not filed. This is different than a Streamlined agreement under \$25,000 because a lien withdrawal is not an option.

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**Traditional** Pays the entire tax liability (liabilities above the streamlined threshold) within 72 months. If a taxpayer is able to resolve the debt within 72 months, the IRS may show flexibility with its expenses allowed. Lien relief is not afforded.

## AGREEMENT BREAKDOWN

**Partial Pay** Does not fully pay the tax liability within the statute of limitations for collection (generally, ten years). The IRS is usually very strict with expense allowances and asks the taxpayer to exhaust all sources of equity. By rule, this agreement is reevaluated every 1-2 years.

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**Direct Debit** Designed to debit a bank account automatically each month to fulfill the payment obligation. Can be set up for any amount owed and is required with certain agreements.

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**In-Business Trust Fund** A business employment tax resolution for liabilities of less than \$25,000. By providing a financial statement, the Trust Fund Recovery Penalty can be avoided. The plan can not exceed 2 years.

## KEEP IN MIND

A taxpayer cannot pre-pay installment agreement payments. You can choose to pay more than the installment agreement but that will not effect the next month's payment. There is no penalty to paying the debt off early.

The IRS is not required to send Installment Agreement statements. The IRS may send a taxpayer a "reminder" notice but it should not be expected (even if one has been issued regularly in the past). Once an agreement is granted, it is the taxpayer's responsibility to ensure payments are made timely.