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# Q/A: What is the IRS Fresh Start Initiative?



**Q** ■  
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**What is the IRS  
Fresh Start  
Initiative?**

**A**

■ In 2011, the IRS said it would do more to help  
■ taxpayers who want to pay off their tax debt and/  
or back taxes. These changes were implemented in 2012  
and included modifications to Installment Agreement and  
Offer in Compromise requirements, and changes to the  
IRS' rules surrounding Federal Tax Liens. This IRS  
initiative became known as the Fresh Start program.



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Here are a couple of the important changes since the Fresh Start program was implemented:

## 1. For individual taxpayers, non-operating businesses, and operating businesses with only Corporate tax liability (form 1120)

Changes have been made to the Streamline Installment Agreement requirements. The IRS can now accept a Streamline Installment Agreement from taxpayers if their total liability does not exceed \$50,000 (it was \$25,000 before the Fresh Start program) and can be satisfied by making monthly payments for a period of 72 months (previously 60 months), assuming that this period does not overrun the Collection Statute Expiration Date.

## 2. For small operating businesses

The IRS no longer requires a full financial disclosure to set up an Installment Agreement (payment plan). If the business liability (the total tax debt) is \$25,000 or less and can be paid in full within 24 months. Previously, this was only available if the tax debt was \$10,000 or less. However, if your business debt is between \$10,000 and \$25,000, you must set up Direct Deposit payments to qualify for this option.

## Changes to the Offer in Compromise Program

To make the Offer in Compromise program available to a broader range of taxpayers, the IRS increased National Allowable Standards for expenses such as food, clothing, housing, utilities, and personal vehicles. As a result of this change, the amount of acceptable expenses for a taxpayer has increased, which, in turn, will decrease disposable income—one of the main factors in the IRS Offer in Compromise calculations.

Another important modification relates to the type of expenses that are allowed by the IRS. Student loans guaranteed by the government that are used for post-high-school education, as well as payments toward state and local back taxes, can now be included in the Offer in Compromise financial statement.

*One of the most helpful changes for taxpayers is that the IRS will now look at fewer months' worth of future income when accepting an Offer in Compromise.*

**OLD RULES:** If Offer in Compromise is to be paid in five months, IRS considers four years' worth of income.

**NEW RULES:** Reduced to only one year's worth of income.

**OLD RULES:** If Offer in Compromise is to be paid in six months to two years, IRS considers five years' worth of income.

**NEW RULES:** Reduced to only two years' worth of income.

## Changes to Federal Tax Liens

A federal tax lien is usually filed by the IRS when the tax liability amount exceeds a certain threshold. The IRS Fresh Start program increased this threshold from \$5,000 to \$10,000.

Changes have also been made on the requirements for a lien withdrawal. These changes affect individual taxpayers, non-operating business entities and operating businesses that have only an income tax liability.

These three groups of taxpayers can be eligible for a lien withdrawal if the total liability does not exceed \$25,000. For an individual, you must enter into a Direct Debit Installment Agreement that ensures a full payment of the debt within 60 months or prior to the Collection Statute Expiration Date.

It is important to remember that in order to be eligible for any of these changes you need to stay current and compliant. This means filing all tax returns on time and not falling behind on required payments to the IRS.

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## THE BOTTOM LINE

One thing the Fresh Start program didn't fix is the difficulties in managing a tax resolution with the IRS. If you aren't a tax expert, navigating the tax code and negotiating with Taxing Authorities can be extremely difficult. That's where 20/20 Tax Resolution comes in. Our Enrolled Agents deal exclusively in negotiating on behalf of taxpayers like you.

## WE'RE HERE TO HELP.

Together, we'll get out in front of the issue, so you can get back to your life.

**CONTACT US NOW**



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