Contact us if you owe the IRS a tax debt, but you are not sure how to handle the debt or disagree with the IRS’ reason for your tax debt.

Do you owe the IRS?

**Office Hours:**
Monday - Friday   8:30am to 5:00pm

1431 Elizabeth Avenue  
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www.lssp.org

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

Fax: **704.376.8627**  
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What If I Owe an IRS Debt But I Can’t Pay It?

1 IF YOU CAN MAKE MONTHLY PAYMENTS

Agreeing to make monthly payments is called an Installment Agreement.

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

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

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

Fill out IRS Form 9465, Installment Agreement Request. You can decide what day you will make each monthly payment. This form is on the IRS website: www.irs.gov.

2 IF YOU CAN’T PAY RIGHT NOW

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

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

To ask for CNC status, fill out IRS Form 433-F. You can get this form at www.irs.gov. You must then call the IRS Collections Department toll-free at 1-800-829-7650.

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

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

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

3 IF YOU CAN’T PAY THE FULL DEBT BUT WANT TO SETTLE FOR A LESSER AMOUNT

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

To request an Offer in Compromise you must fill out IRS Forms 433-A (OIC) and 656. You must send these forms and the additional paper work required by IRS Form 433-A (OIC) to the IRS. The minimum amount you may have to pay is determined by figures listed in 433-A (OIC). The IRS address to send the Offer in Compromise application can be found in IRS Publication 656-B. The IRS requires that you send 20% of the total amount you want to pay. This payment is considered a down payment. Depending on your income you may not have to make a down payment.

The IRS charges a $150 application fee to file an Offer In Compromise. The application fee may be waived depending on your income. More information regarding the application fee and the Offer In Compromise process can be found in IRS Form 656-B, Offer in Compromise Booklet.

4 IF I OWE AND CAN PAY BUT PAYING WOULD CAUSE ME HARDSHIP

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