

# Tax Relief Program

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Just about everyone in the U.S. tax system tries to voluntarily comply with the tax laws. We are required to file tax returns and pay the correct tax amount owed to the government. Not complying, threatens the stability of the tax system.

Sometimes, if not most of the time, non-compliance is due to the lack of knowledge by the taxpayer. Usually the IRS will help the taxpayer become compliant. If the taxpayer purposely decides not to pay taxes then they may be subject to criminal sanctions by the IRS. There are those times that a taxpayer has financial trouble paying taxes or that their tax returns have been incorrect for a long period of time.

The amount of the tax liability can be staggering if you consider the interest and penalties that the IRS will tack on due to your mistakes. The IRS can take advantage of a taxpayer who does not understand the tax law or the IRS Audit and Collection system. The good news is that there are tax debt relief programs that can help individuals or businesses like you.

1) IRS Tax Relief Settlement - The IRS developed this program to allow the taxpayer to settle their tax debts for a percentage of the taxes owed. Depending on your age, total assets, income and expenses, you could save thousands of dollars with this program.

2) Offer in Compromise (OIC) - This is a settlement to collect unpaid taxes for less than the full amount due. Congress developed this program to offer taxpayers a one time opportunity to eliminate their debt for a fraction of what is owed. IRS agrees on the amount to settle the debt. The IRS follows certain guidelines or circumstances for a compromise.

A) Doubt as to Liability: some doubt if tax is correct.

B) Doubt as to Collectibility: doubt that the full amount tax owed will ever be paid.

C) Effective Tax Administration: no doubt the tax and amount owed is correct but due to circumstances the taxpayer can't pay i.e. economic hardship.

If there is a financial hardship where the amount owed exceeds the ability to pay off the tax debt in 5 years, the qualification for this program should be easy. The problem with the program is that it is very popular. Some frivolous cases were submitted, which now causes the IRS to scrutinize each and every case. You can actually perform the OIC yourself but it is best to let a professional help. The IRS will take advantage of the less than knowledgeable taxpayer. If the OIC is not to the requirements set forth by the IRS, it will be rejected and you will still have to pay the full amount of the tax liability.

3) Penalty Abatement - If you can't pay your tax debt due to circumstances out of your control, the penalties and interest owed can be challenged and thus should be able to negotiate down the debt. Four categories fall into this relief:

A) Reasonable Cause - mistakes on taxes, death, serious illness, unavoidable absence and ignorance of the law.

B) Statutory Exceptions - minor to major tax code changes.

C) Administrative Waivers - hardship beyond your control: fire, flood, natural disasters, bad tax/legal advice.

D) Correction of Service Error - IRS mistakes.

For a successful penalty abatement, the stated representations for relief of penalties and interest have to be very specific. This will involve a skilled professional to work with the IRS protocol and bring a resolution to the taxpayer's problem.

4) Payment Plan - This program allows taxpayers to make payments on their tax debt because they can not settle their tax in one entire payment. This gives the taxpayer time to pay and reduce their tax debt without the harassment and embarrassment of the IRS officers.

If there is a financial condition where you can't pay, your account can be placed in a "not currently collectible" status. Under this program, the IRS will withhold collection activity until you are financially able to accept a payment plan or an Offer in Compromise is submitted.

You should try to avoid working or negotiating with the IRS yourself and hire a professional who knows and understands the IRS and the tax laws.