



IRS Relief for Taxpayers Facing COVID-19 Financial Struggles

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Last year, the IRS instituted several measures to aid taxpayers struggling to pay their taxes as a consequence of COVID-19. Since most of those expired in the fall, the IRS made additional changes in November providing expanded payment options and other relief. These are important because there are provisions covering taxpayers with new tax issues as well as those with an existing payment plan.

Installment Agreement Relief

Installment agreements (IAs) allow taxpayers to pay their tax debts over time. There are several different types of IAs each with its own rules. Changes made by the IRS include the following:

Extended time to pay

Taxpayers with short-term payment plans have been granted 180 days to pay instead of 120 days.

Simplified Installment Agreement process

Individuals who owe less than \$250,000 may be able to set up Installment Agreements without providing the usual financial documentation if their monthly payment proposal is sufficient and has not yet been assigned to a revenue officer.

Modified qualifications for Installment Agreements

For individuals who were notified of taxes owed with liabilities up to \$250,000 for Tax Year 2019 only, the IRS can offer one Installment Agreement opportunity with no lien filed.

IRS will conduct a thorough investigation.

Other Changes

The IRS also has expressly continued some policies instituted early last year.

Temporary relief from collections

During the early months of COVID, the IRS suspended collection actions. That provision expired, but several options still exist for taxpayers to obtain relief including Currently Not Collectible (CNC) status. CNC sta-

tus is where the IRS agrees the taxpayer cannot both pay his or her taxes and basic living expenses, so collection is suspended. Penalty abatement. The IRS can grant qualified taxpayers penalty abatement if the taxpayer had reasonable cause for not filing a return or paying taxes. In addition, the first-time penalty abatement waiver may also be available.

Conclusion

If clients are struggling to pay their taxes

Online access for Direct Debit Installment Agreements

Qualified taxpayers may now be able to use the Online Payment Agreement system to propose lower monthly payment amounts and change their payment due dates.

Automatic addition of certain new tax year balances

For individuals and out of business entities, the IRS will automatically include certain new tax year balances to existing Installment Agreements so these taxpayers can avoid default of the agreement.

Offers in Compromise

An Offer in Compromise (OIC) allows taxpayers to settle their tax debts for less than the full amount owed. The financial struggles many taxpayers are now facing may make this an ideal time to submit an OIC. Further, the IRS has indicated it is willing to work with taxpayers unable to meet the terms of their existing OIC due to COVID-related economic hardship. However, with any OIC, it is important to prepare appropriate financial documentation because the

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and/or facing collection actions, the most important advice to give to them is to act promptly. They will have the most options to obtain a favorable settlement, the sooner they act.

For more information on these tax relief provisions, visit the IRS website at <https://www.irs.gov/newsroom/irs-makes-it-easier-to-set-up-payment-agreements-offers-other-relief-to-taxpayers-struggling-with-tax-debts>.