

IRS Tax Lien Practices Eased

March 22, 2011

TAXATION ALERT - MARCH 22, 2011

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The Internal Revenue Service (IRS) has recently announced a new program designed to ease some of the burden imposed by its filing of Federal tax liens as a means of enforcing collection of delinquent taxes from both individuals and small businesses.

Among the highlights of this new IRS program are the following:

- **Threshold for Automatic Filing of Tax Liens Increased**

Currently, a tax delinquency of only \$5,000 can trigger the automatic filing of a tax lien against property of the delinquent taxpayer. The new IRS program proposes to increase this automatic tax lien trigger to tax delinquencies of \$10,000 or more.

- **Release of Tax Liens**

For taxpayers with tax delinquencies of \$25,000 or less, the new program will permit the IRS to release a previously filed tax lien (thereby freeing the property from the IRS encumbrance) if the taxpayer enters into a "direct debit installment agreement" with an approved installment payment arrangement paid by automatic debiting out of an established account. Before the tax lien is released, there must be a satisfactory probationary period to provide comfort to the IRS that the direct debit arrangement is working properly.

- **Streamlined Installment Agreements for Small Businesses**

Small businesses (whether filing as sole proprietors or as business entities) with tax delinquencies of \$25,000 or less are eligible under the new program for automatic enrollment in a 24-month installment payment arrangement with the IRS to be paid by direct debit out of an established account. Businesses with larger tax delinquencies are likewise eligible to pay down their delinquency to the \$25,000 level, and enroll in the 24-month installment payment arrangement to pay off the balance.

- **Offers-in-Compromise**

Under the new program, delinquent taxpayers with annual incomes not exceeding \$100,000 and with tax delinquencies of less than \$50,000 (up from a previous threshold of \$25,000) may be eligible to negotiate an offer-in-compromise with the

IRS, where the delinquency may be satisfied for less than its full amount. Here, as before, the IRS must satisfy itself that the taxpayer has no reasonable ability to pay the entire delinquency either in a lump sum or in installments over time.

If you have any thoughts or questions regarding details of this new IRS program, please contact [James Montgomery](#) or your lawyer at Foley Hoag.