All About 1099 Bank Garnishment Of Salary By The IRS

For a number of reasons, wages are garnished. For people in debt, this is a serious situation because creditors take payment direct from paychecks.

First, salary garnishment happens when a judgment has been made against the defendant. The defendant's paycheck is garnished as a result. This means that money is automatically collected from the paycheck (or other source of income) to be paid to the creditor or plaintiff. Wages are garnished by the following common reasons:

* Unpaid child support.
* Taxes are unpaid.
* Court fines unpaid.
* Student loans in default.
* Credit card debt.
* Other monetary judgments.

Garnishment is capped by federal law at twenty-five percent and differs from state to state. Some states allow garnishments of lower amounts, while states like Texas, South and North Carolina, and Pennsylvania do not allow garnishment. If income is not enough, there's a fixed heirarchy for garnishments to be taken: federal, then state, and finally, credit cards.

The IRS procedure that should be followed when garnishing wage are:

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* A Notice or Demand for Payment should be served.
* No more than 30 days prior to garnishment, a Final Notice is served. These don't need to be served personally, so plenty of people don't get it and don't know that their salary is going to be garnished.
* Wages are garnished until full payment, unless other deals for settlements are decided. Garnishment can't be declined.

To report income to the IRS, companies that employ freelancers or independent contractors should file a 1099 form. The contractors compute taxes from the 1099 themselves.

An employer has no choice but to take settlement out of an employee's paycheck when salary is garnished. With freelancers or private contractors, employers are not responsible to do so. Rather than the salary being garnished, the contractor's bank account or accounts receivable are levied by the credit.

Money in the account is frozen and collected when a bank account is levied. This is most often done by the IRS, though other creditors can do it, as well. Creditors can levy bank accounts unless the debt is settled.

Having your salary garnished or your bank account levied is tough. Seasoned lawyers such as Darrin T. Mish can assist you with IRS issues.