

# [Abatements] *i.e.*, Salvation

[Tax Debt Forgiveness found in Fresh Start Initiative & Redemption from "Offer in Compromise"]

## FORGIVENESS



The IRS Fresh Start program makes it easier for taxpayers to pay back taxes and avoid tax liens.

Even small business taxpayers may benefit from Fresh Start.



**3** important features of the Fresh Start program are:

- Federal Tax Liens  
increased thresholds for lien filing requirements
  - Installment Agreements  
expanded for individuals and businesses
  - Offer in Compromise  
now available to more taxpayers
- If you need to set up a payment agreement to pay your bill, you can do so online using the IRS Online Payment Agreement application. 

learn more about payment agreements  
.....and other payment options @ [www.irs.gov](http://www.irs.gov)



### FRESH START INITIATIVE



## IRS Fresh Start Program Helps Taxpayers Who Owe the IRS

IRS Tax Tip 2013-57, April 17, 2013

The IRS Fresh Start program makes it easier for taxpayers to pay back taxes and avoid tax liens. Even small business taxpayers may benefit from Fresh Start. Here are three important features of the Fresh Start program:

- **Tax Liens.** The Fresh Start program increased the amount that taxpayers can owe before the IRS generally will file a Notice of Federal Tax Lien. That amount is now \$10,000. However, in some cases, the IRS may still file a lien notice on amounts less than \$10,000.

When a taxpayer meets certain requirements and pays off their tax debt, the IRS may now withdraw a filed Notice of Federal Tax Lien. Taxpayers must request this in writing using Form 12277, Application for Withdrawal.

Some taxpayers may qualify to have their lien notice withdrawn if they are paying their tax debt through a Direct Debit installment agreement. Taxpayers also need to request this in writing by using Form 12277.

If a taxpayer defaults on the Direct Debit Installment Agreement, the IRS may file a new Notice of Federal Tax Lien and resume collection actions.

- **Installment Agreements.** The Fresh Start program expanded access to streamlined installment agreements. Now, individual taxpayers who owe up to \$50,000 can pay through monthly direct debit payments for up to 72 months (six years). While the IRS generally will not need a financial statement, they may need some financial information from the taxpayer. The easiest way to apply for a payment plan is to use the Online Payment Agreement tool at IRS.gov. If you don't have Web access you may file Form 9465, Installment Agreement, to apply.

Taxpayers in need of installment agreements for tax debts more than \$50,000 or longer than six years still need to provide the IRS with a financial statement. In these cases, the IRS may ask for one of two forms: either Collection Information Statement, Form 433-A or Form 433-F.

- **Offers in Compromise.** An Offer in Compromise is an agreement that allows taxpayers to settle their tax debt for less than the full amount. Fresh Start expanded and streamlined the OIC program. The IRS now has more flexibility when analyzing a taxpayer's ability to pay. This makes the offer program available to a larger group of taxpayers.

Generally, the IRS will accept an offer if it represents the most the agency can expect to collect within a reasonable period of time. The IRS will not accept an offer if it believes that the taxpayer can pay the amount owed in full as a lump sum or through a payment agreement. The IRS looks at several factors, including the taxpayer's income and assets, to make a decision regarding the taxpayer's ability to pay. Use the Offer in Compromise Pre-Qualifier tool on IRS.gov to see if you may be eligible for an OIC.

#### **Additional IRS Resources:**

- [Online Payment Agreement](#) tool
- [Fresh Start Notice of Federal Tax Liens](#)
- [Form 12277](#), Application for Withdrawal
- [Understanding a Federal Tax Lien](#)
- [Offer in Compromise Pre-Qualifier](#) tool
- [Offer in Compromise](#)

- [Electronic Payment Options Home Page](#)
- [Payments](#) (payment options)

**IRS YouTube Videos:**

- Online Payment Agreement - [English](#)

**IRS Podcasts:**

- Online Payment Agreement - [English](#)

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<http://www.irs.gov/uac/Newsroom/IRS-Fresh-Start-Program-Helps-Taxpayers-Who-Owe-the-IRS>

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## 26 USC 7122: Compromises

Text contains those laws in effect on September 7, 2016

**Title 26-INTERNAL REVENUE CODE**

Subtitle F-Procedure and Administration

CHAPTER 74-CLOSING AGREEMENTS AND COMPROMISES

### §7122. Compromises

**(a) Authorization**

The Secretary may compromise any civil or criminal case arising under the internal revenue laws prior to reference to the Department of Justice for prosecution or defense; and the Attorney General or his delegate may compromise any such case after reference to the Department of Justice for prosecution or defense.

**(b) Record**

Whenever a compromise is made by the Secretary in any case, there shall be placed on file in the office of the Secretary the opinion of the General Counsel for the Department of the Treasury or his delegate, with his reasons therefor, with a statement of-

- (1) The amount of tax assessed,
- (2) The amount of interest, additional amount, addition to the tax, or assessable penalty, imposed by law on the person against whom the tax is assessed, and
- (3) The amount actually paid in accordance with the terms of the compromise.

Notwithstanding the foregoing provisions of this subsection, no such opinion shall be required with respect to the compromise of any civil case in which the unpaid amount of tax assessed

(including any interest, additional amount, addition to the tax, or assessable penalty) is less than \$50,000. However, such compromise shall be subject to continuing quality review by the Secretary.

**(c) Rules for submission of offers-in-compromise**

**(1) Partial payment required with submission**

**(A) Lump-sum offers**

**(i) In general**

The submission of any lump-sum offer-in-compromise shall be accompanied by the payment of 20 percent of the amount of such offer.

**(ii) Lump-sum offer-in-compromise**

For purposes of this section, the term "lump-sum offer-in-compromise" means any offer of payments made in 5 or fewer installments.

**(B) Periodic payment offers**

**(i) In general**

The submission of any periodic payment offer-in-compromise shall be accompanied by the payment of the amount of the first proposed installment.

**(ii) Failure to make installment during pendency of offer**

Any failure to make an installment (other than the first installment) due under such offer-in-compromise during the period such offer is being evaluated by the Secretary may be treated by the Secretary as a withdrawal of such offer-in-compromise.

**(2) Rules of application**

**(A) Use of payment**

The application of any payment made under this subsection to the assessed tax or other amounts imposed under this title with respect to such tax may be specified by the taxpayer.

**(B) Application of user fee**

In the case of any assessed tax or other amounts imposed under this title with respect to such tax which is the subject of an offer-in-compromise to which this subsection applies, such tax or other amounts shall be reduced by any user fee imposed under this title with respect to such offer-in-compromise.

**(C) Waiver authority**

The Secretary may issue regulations waiving any payment required under paragraph (1) in a manner consistent with the practices established in accordance with the requirements under subsection (d)(3).

**(d) Standards for evaluation of offers**

**(1) In general**

The Secretary shall prescribe guidelines for officers and employees of the Internal Revenue Service to determine whether an offer-in-compromise is adequate and should be accepted to resolve a dispute.

## **(2) Allowances for basic living expenses**

### **(A) In general**

In prescribing guidelines under paragraph (1), the Secretary shall develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise have an adequate means to provide for basic living expenses.

### **(B) Use of schedules**

The guidelines shall provide that officers and employees of the Internal Revenue Service shall determine, on the basis of the facts and circumstances of each taxpayer, whether the use of the schedules published under subparagraph (A) is appropriate and shall not use the schedules to the extent such use would result in the taxpayer not having adequate means to provide for basic living expenses.

## **(3) Special rules relating to treatment of offers**

The guidelines under paragraph (1) shall provide that-

(A) an officer or employee of the Internal Revenue Service shall not reject an offer-in-compromise from a low-income taxpayer solely on the basis of the amount of the offer,

(B) in the case of an offer-in-compromise which relates only to issues of liability of the taxpayer-

(i) such offer shall not be rejected solely because the Secretary is unable to locate the taxpayer's return or return information for verification of such liability; and

(ii) the taxpayer shall not be required to provide a financial statement, and

(C) any offer-in-compromise which does not meet the requirements of subparagraph (A)(i) or (B)(i), as the case may be, of subsection (c)(1) may be returned to the taxpayer as unprocessable.

### **(e) Administrative review**

The Secretary shall establish procedures-

(1) for an independent administrative review of any rejection of a proposed offer-in-compromise or installment agreement made by a taxpayer under this section or section 6159 before such rejection is communicated to the taxpayer; and

(2) which allow a taxpayer to appeal any rejection of such offer or agreement to the Internal Revenue Service Office of Appeals.

### **(f) Deemed acceptance of offer not rejected within certain period**

Any offer-in-compromise submitted under this section shall be deemed to be accepted by the Secretary if such offer is not rejected by the Secretary before the date which is 24 months after the date of the submission of such offer. For purposes of the preceding sentence, any period during which any tax liability which is the subject of such offer-in-compromise is in dispute in any judicial proceeding shall not be taken into account in determining the expiration of the 24-month period.

### **(g) Frivolous submissions, etc.**

Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702(b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.

(Aug. 16, 1954, ch. 736, 68A Stat. 849 ; Pub. L. 94–455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834 ; Pub. L. 104–168, title V, §503(a), July 30, 1996, 110 Stat. 1461 ; Pub. L. 105–206, title III, §3462(a), (c)(1), July 22, 1998, 112 Stat. 764 , 766; Pub. L. 109–222, title V, §509(a), (b), May 17, 2006, 120 Stat. 362 , 363; Pub. L. 109–432, div. A, title IV, §407(d), Dec. 20, 2006, 120 Stat. 2962 ; Pub. L. 113–295, div. A, title II, §220(y), Dec. 19, 2014, 128 Stat. 4036 .)

#### AMENDMENTS

**2014**-Subsecs. (f), (g). Pub. L. 113–295 redesignated subsec. (f) relating to frivolous submissions as (g).

**2006**-Subsec. (c). Pub. L. 109–222, §509(a), added subsec. (c). Former subsec. (c) redesignated (d).

Subsec. (d). Pub. L. 109–222, §509(a), redesignated subsec. (c) as (d). Former subsec. (d) redesignated (e).

Subsec. (d)(3)(C). Pub. L. 109–222, §509(b)(1), added subpar. (C).

Subsec. (e). Pub. L. 109–222, §509(a), redesignated subsec. (d) as (e).

Subsec. (f). Pub. L. 109–432 added subsec. (f) relating to frivolous submissions.

Pub. L. 109–222, §509(b)(2), added subsec. (f) relating to deemed acceptance of offer not rejected within certain period.

**1998**-Subsec. (c). Pub. L. 105–206, §3462(a), added subsec. (c).

Subsec. (d). Pub. L. 105–206, §3462(c)(1), added subsec. (d).

**1996**-Subsec. (b). Pub. L. 104–168 substituted "\$50,000. However, such compromise shall be subject to continuing quality review by the Secretary." for "\$500."

**1976**-Subsecs. (a), (b). Pub. L. 94–455 struck out "or his delegate" after "Secretary".

#### EFFECTIVE DATE OF 2006 AMENDMENT

Amendment by Pub. L. 109–432 applicable to submissions made and issues raised after the date on which the Secretary first prescribes a list under section 6702(c) of this title, see section 407(f) of Pub. L. 109–432, set out as a note under section 6320 of this title.

Amendment by Pub. L. 109–222 applicable to offers-in-compromise submitted on and after the date which is 60 days after May 17, 2006, see section 509(d) of Pub. L. 109–222, set out as a note under section 6159 of this title.

#### EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105–206 applicable to proposed offers-in-compromise and installment agreements submitted after July 22, 1998, see section 3462(e)(1) of Pub. L. 105–206, set out as a note under section 6331 of this title.

#### **EFFECTIVE DATE OF 1996 AMENDMENT**

Pub. L. 104–168, title V, §503(b), July 30, 1996, 110 Stat. 1461 , provided that: "The amendment made by this section [amending this section] shall take effect on the date of the enactment of this Act [July 30, 1996]."

#### **PREPARATION OF STATEMENT RELATING TO OFFERS-IN-COMPROMISE**

Pub. L. 105–206, title III, §3462(d), July 22, 1998, 112 Stat. 766 , provided that: "The Secretary of the Treasury shall prepare a statement which sets forth in simple, nontechnical terms the rights of a taxpayer and the obligations of the Internal Revenue Service relating to offers-in-compromise. Such statement shall-

"(1) advise taxpayers who have entered into a compromise of the advantages of promptly notifying the Internal Revenue Service of any change of address or marital status;

"(2) provide notice to taxpayers that in the case of a compromise terminated due to the actions of one spouse or former spouse, the Internal Revenue Service will, upon application, reinstate such compromise with the spouse or former spouse who remains in compliance with such compromise; and

"(3) provide notice to the taxpayer that the taxpayer may appeal the rejection of an offer-in-compromise to the Internal Revenue Service Office of Appeals."

[http://uscode.house.gov/view.xhtml?req=\(title:26 section:7122 edition:prelim\) OR \(granuleid:USC-prelim-title26-section7122\)&f=treesort&edition=prelim&num=0&jumpTo=true](http://uscode.house.gov/view.xhtml?req=(title:26 section:7122 edition:prelim) OR (granuleid:USC-prelim-title26-section7122)&f=treesort&edition=prelim&num=0&jumpTo=true)