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GUARANTEED INSTALLMENT AGREEMENT WITH THE IRS

By Victor Sy, CPA, MBA

Too good to be true? Perhaps, but read on.

The IRS cannot deny your application if you satisfy all of the following requirements:

1. The tax is not more than \$10,000.
2. You timely filed and paid all income tax returns for the past five years.
3. You did not enter into any installment agreement.
4. The IRS determines that you cannot pay the taxes in full.
5. You provide any information needed to make that determination.
6. You agree to pay the full amount owed within three years and to comply with all tax laws while the agreement is in effect.

Now, let me give you some mechanics and 10 tips on how to successfully maintain your payment plan:

1. You will be charged interest at the current rate.
2. The late payment penalty of .5% per month is reduced in half to .25%.
3. If you pay by manual checks, the IRS will send you a letter of the balance after each payment.
4. If you pay by automatic bank withdrawal, the bank statement becomes your record of payment. The IRS provides a statement at the beginning of each year of all payments made during the prior year.
5. Any future refunds will be applied against your balance due.
6. The installment defaults if you miss one payment.
7. It also defaults if you fail to file a return or fail to pay taxes on such tax return.
8. File form 9465 with your income tax.
9. File form 9465 separately if you already filed your income tax.
10. Use form 3567 for California requests.

Observation 1: IRS charges a higher fee for new installments agreements that are not paid through direct debits from a taxpayer's account. Those unwilling or unable to use a direct debit arrangement will pay more than twice as much for a new installment agreement than those using a direct debit.

Observation 2: The new fees will also apply to installment agreements made using the Online Payment Agreement application.

Observation 2: The latest applicable fees are: \$105 for those not using the direct debit arrangement, \$52 if by electronic pay or payroll deduction and \$43 for low income.