

# New IRS Tax Relief Measures for Those Struggling to Pay Taxes



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The IRS recently announced several tax relief measures focused on helping those struggling to pay their taxes as a consequence of COVID-19, including those with long-standing tax problems. These temporary changes are intended to give taxpayers more flexibility in settling their tax debts and avoiding collection actions. If your clients owe money to the IRS, here are some of the key provisions you should know:

- **Extended time to pay for short-term payment plans.** Those who qualify now have 180 days to pay their debts as opposed to 120 days.
- **Simplified Installment Agreement process.** Certain qualified individual taxpayers who owe less than \$250,000 may set up Installment Agreements without providing a financial statement or substantiation if their monthly payment proposal is sufficient and has not yet been assigned to a revenue officer.
- **Modified qualifications for Installment Agreements.** The IRS can offer one Installment Agreement opportunity with no lien filed to individual taxpayers receiving notices with tax liabilities up to \$250,000 for Tax Year 2019 only.
- **Expanded use of Online Payment Agreements.** Qualified taxpayers with existing Direct Debit Installment Agreements may now be able to use the Online Payment Agreement system to propose lower monthly payment amounts and change their payment due dates. Separately, the Online Payment Agreement (OPA) system continues to be available to certain other taxpayers. Generally, individuals who owe \$50,000 or less in combined income tax, penalties and interest or businesses that owe \$25,000 or less combined and have filed all tax returns can use the Online Payment System.

- **Temporary relief from collections.** Where the IRS has initiated collections, taxpayers may be able to get temporary relief from a specific collection action. One option is Currently Not Collectible (CNC) status. CNC status is where the IRS agrees the taxpayer cannot both pay his or her taxes and basic living expenses. If the taxpayer's account is in CNC status, the IRS generally won't try to collect, but will still assess interest and penalties and may keep and apply any tax refunds to the tax debt.
- **Automatic addition of new tax year balances.** The IRS will automatically include new tax year balances to existing Installment Agreements, as opposed to defaulting the agreement. However, this applies to individuals and out of business entities only.
- **Penalty abatement.** Some taxpayers may qualify for relief from penalties. For example, the IRS is highlighting its reasonable cause assistance which grants taxpayers penalty abatement if the taxpayer had reasonable cause for not filing a return or paying taxes. In addition, the IRS offers a first time penalty abatement waiver, which applies to taxpayers who have not been assessed any other penalties of a "significant amount" on the same type of tax return within the past three years and are in compliance with all filing and payment requirements.

Furthermore, an Offer in Compromise (OIC) continues to be an option for some taxpayers. An OIC allows taxpayers to settle their tax liability for less than the full amount owed. For taxpayers who have been negatively impacted by the COVID-19 crisis, now may be an ideal time to submit an OIC. To qualify, taxpayers must show one of three grounds:

- **Doubt as to liability** – the taxpayer can establish a genuine dispute as to the existence or amount of the correct tax debt under the law;
- **Doubt as to collectability** – the taxpayer's assets and income are less than the full amount of the tax liability; or
- **Effective tax administration** – the taxpayer may be able to fully pay the tax, but such payment would cause an economic hardship or there are compelling public policy or equity considerations.

Note that the IRS has indicated it will provide relief for taxpayers having difficulty meeting the terms of previously accepted offers.

For more information on the new tax relief provisions, visit the IRS website or contact our firm for assistance.

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