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The IRS Collection Process

If you do not pay in full when you file, you will receive a bill from the IRS. This bill begins the collection process, which continues through alternative payment options and ends when your account is satisfied. Following is an overview of the IRS collection process.

The First Bill

The first bill you receive will explain the reason for your balance due and require payment in full. It will include the tax due plus penalties and interest that are added to your unpaid balance from the date your taxes were due. You can pay this bill by sending the IRS a check or money order payable to United States Treasury with your notice. To pay by credit card, call 1-800-272-9829 or 1-888-729-1040.

If You Cannot Pay in Full

If you cannot pay the balance in full, you should pay as much as you can with the notice. The unpaid balance is subject to interest which is compounded daily and a monthly late payment penalty. Therefore, it is in your best interest to pay your tax liability in full as soon as you can to minimize the amount of interest and penalty charged. You might also want to consider a cash advance on your credit card or a bank loan. The interest rate your credit card issuer or bank charges may be lower than the combination of interest and penalties imposed by the Internal Revenue Code. It may also keep your tax debt from negatively affecting your credit rating.

If you are unable to pay your balance in full, the IRS may be able to offer an individual payment plan based on monthly [installments](#).

If all payment options have been considered and it is determined that you do not qualify for an installment agreement, you may opt to file an offer in compromise. An offer in compromise (OIC) is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax liability. The IRS has the authority to settle, or compromise, federal tax liabilities by accepting less than full payment under certain circumstances.

Contacting the IRS

When you contact the IRS, you should be prepared to discuss your basic income and expense information. To prepare, gather together all of your information about your income, assets and necessary living expenses, such as your most recent pay stubs, rent or mortgage payment amounts, transportation expenses, etc. This will allow the IRS to assist you most effectively.

It is important to contact IRS and make arrangements to pay the tax due voluntarily. If you do not take some action to pay your tax bill or contact the IRS to make arrangements to settle the account, the IRS may take enforced collection actions to secure payment.

Some of the actions the IRS may take to collect taxes include:

1. Filing a Notice of Federal Tax Lien,
2. Serving a Notice of Levy; or
3. Offset of a refund.

By filing a Notice of Federal Tax Lien, the government establishes its interest in your property as a creditor. The lien is a claim against your property, including property that you acquire after a lien is filed. The lien is required by law to establish priority as a creditor in competition with other creditors in certain situations, such as bankruptcy proceedings or sales of real estate. Once a lien is filed, it may appear on your credit report and it may harm your credit rating. Therefore, it is important that you work to resolve your tax liability as quickly as possible, before lien filing becomes necessary. Once a lien is filed, the IRS generally cannot issue a "Certificate of Release of Federal Tax Lien" until the taxes, penalties, interest, and recording fees are paid in full.

A Notice of Levy is another method the IRS may use to collect taxes that are not paid voluntarily. This means that the IRS can, by legal authority, confiscate (take) and sell property to satisfy a tax debt. This could include your wages, bank accounts, Social Security benefits, and retirement income. If your tax liability remains unpaid, the IRS may also levy assets such as your car, boat, or real estate.

In addition, when you have an outstanding tax liability, any future federal tax refunds that you are due will be offset by the amount you owe. Any state income tax refunds you are due may also be levied, and the proceeds applied to your liability.

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