

# Tax Settlements

As Benjamin Franklin once said, *"Nothing can be said to be certain, except death and taxes."* Whether we like it or not, taxes are a part of life.

If you don't file or if you don't pay the full amount due, the IRS will take action against you. But while the IRS is known for aggressive enforcement, they offer multiple settlement options to resolve tax debt. Here's a look at some of them.

## Offer in Compromise

The Offer in Compromise program was created by Congress in 1999 to reduce the large amount of outstanding collection cases. This program enables a taxpayer to settle their back tax debt for less than the full amount due. While one's tax liability can be significantly reduced, submitting an OIC is very complicated, and should only be done with the help of a tax attorney or tax relief professional.

But given the nation's slumping economy and reduced government revenue, the IRS has become more flexible when it comes to resolving tax debt. OICs typically have a 90 percent rejection rate, but the IRS was expected to increase the number of accepted offers by nearly 60 percent in 2011.

## Penalty Abatement

The IRS typically adds interest and penalties to your tax debt. They are compounded at alarming rates like with a high-interest credit card and can make a bad situation worse. But, the IRS occasionally waives penalties that serve to reduce the total debt. While the principal

won't change and the interest will likely stay, the penalties may be waived if you work with a tax attorney and follow IRS procedure.

IRS penalty abatements are used to encourage voluntary payment and have increased modestly over the past several years, from more than 4.2 million in 1995 to 4.8 million in 2010.

## Partial Payment Plans

Until a few years ago, taxpayers with a large amount of tax debt could only enter into an installment plan that lead to full payment. To bring more taxpayers into compliance, Congress created partial payment plans as part of the American Jobs Creation Act of 2004.

Qualifying for a partial payment plan, while convenient, is a tricky process that comes with certain conditions. While you may be able to save thousands through a structured plan that expires long before the tax debt is fully paid, the IRS will review your finances every two years and restructure your plan if they think you can pay more. Hiring a tax relief professional is important to make sure that the plan you are placed on stays in effect.

## Currently Not Collectible

If you are experiencing tremendous financial hardship, you may be able to acquire Currently Not Collectible status. This status recognizes your inability to pay and will freeze IRS collection efforts against you or your business, granting you time to get back on your feet.

Though helpful in the short-term, you may still have to pay the tax debt if and when your financial situation improves. But, the 10-year statute of limitations for IRS collection will run, giving you a bit of time to let your debt expire.

If your tax debt has become unmanageable, a settlement option is possible with the help of a legal team. Dealing with the IRS can be tough, but the professionals at [www.StopIRSDebt.com](http://www.StopIRSDebt.com) can negotiate on your behalf to obtain a resolution option that's right for you.