IRS Tax Levies

May 4, 2022

Highlights

- **A levy is a seizure of your property**
- **Real or personal property**
- **Example: home, land, vehicles, money in a bank account, retirement plan assets**
- **Method of last resort for the IRS**
- **Used if no response from the taxpayer or not providing requested information**

Before A Levy Is Made

- **Before property can be levied the IRS must take certain steps:**
    - **Notice and Demand**
    - **Notice of Intent to Levy**
    - **Notice of Right to a Hearing**
- **IRS cannot just take your property because you owe money**
- **Levies can be avoided!**

Avoiding A Levy

- **Communication!!**
- **Open the mail and contact the IRS**
- **IRS wants to avoid - this is where bad publicity stems from - "the IRS is taking my house", "the IRS just cleaned out my bank account", "the IRS is forcing my employer to hand over most of my paycheck"**

Types Of Levies

- Continuing and Regular
- Continuing remains in place until withdrawn by the IRS
- Typical is wage withholding - IRS notifies employer - legally required to hand over a portion of take home pay
- Intended to be punitive to get your attention - for example only $249 per week is currently allowed to be kept by the taxpayer

Regular Levy

- A regular levy serves to seize property at a point in time - typically applied to bank accounts
- Also applies to retirement funds - IRS "steps into your shoes" - if you can withdraw funds they can seize the funds - even if tax penalties apply
- IRS not governed by ERISA rules that can prevent creditors from seizing retirement fund assets

Regular Levy

- A regular levy can also be applied in the independent contractor area
- It applies to amounts owed to non-employees at a certain point in time
- Only applies to payment due at that date
- Typical use is with contractors / subcontractors
- Penalty for not withholding is 50% of what would have been paid to the IRS - comply!
- Once in place a levy can be withdrawn - communicate

Summary

- **Best advice - open the mail and communicate with the IRS**
- **Levies are a last resort**
- **The IRS prefers not to use them but will if the taxpayer is unresponsive**