Installment Agreements - What Are They And How Do They Work?

May 19 , 2022

Highlights

OCEAN
CONSULTING SERVICES
LLC

- **Most common means to satisfy tax debt**
- **Allows for payment of debt over time**
- **Interest / penalties continues to run**
- **Benefits - stops collection activities (seizing assets) and allows for payment over time**

What About OIC?

- IRS allows for Offers In Compromise (OIC) - reduction in debt
- Why choose and Installment Agreement (IA) over an OIC
- OIC not allowed where RCP amount allows full payment within SOL
- RCP used by the IRS to assess potential payments towards tax debt
- Doesn’t use actual amount of expenses in many cases

IA Types

- Four types of IA
  - Automatic
  - Streamlined
  - Regular
  - Partial-Pay

Automatic

- Owe less than $10k
- In past 5 years cannot have a tax debt or another IA
- Will full pay debt within 3 years
- Can file online
- User fee charged

Streamlined

- Owe less than $250k / $50k if working with IRS Revenue Officer
- In past 5 years cannot have a tax debt or another IA
- Will full pay debt within 6 years
- Can file online

Regular

- Usually used where debt greater than $50k or where more than 6 years required
- Collection Information Statement required
- Allowable versus actual expenses
- Net amount is installment payment
- Six Year Rule - if tax can be paid in 6 years then actual (reasonable) expenses allowed
- One Year Rule - if tax can't be paid in 6 years can use actual expenses for first year payments

Partial-Pay

- Where the amount under a regular agreement won't full pay tax before SOL expires
- Agreement entered into at the amount of a regular agreement but at 18 months the arrangement is reviewed with the goal to increase the payment

Summary

- For many taxpayers IA convenient way to deal with tax debt
- Straightforward process for debt less than $50k
- For many situations RCP should be reviewed as well as SOL - OIC or reduced IA payments may be available