



Currently Not Collectible - How To Stop IRS Collections

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Highlights



- **The IRS is threatening to take my stuff - help!**
- **One collection alternative is status as Currently Not Collectible - CNC**
- **Consider if no assets or no ability to tap equity in assets and no income after expenses**
- **Halts all IRS collection activity**
- **Interest and penalties continue**

What Happens?



- **If qualified and apply for CNC status collection activities stop - no levies or seizures by the IRS**
- **10 year period to collect the tax debt continues to run - the Statute of Limitations (SOL)**
- **Interest and penalties still run**

Qualifications



- **Demonstrate to the IRS that you either have no assets available for seizure or if there are assets there's no way to access equity and that your income is spent on allowable expenses**
- **This is the computation of Reasonable Collection Potential (RCP) previously discussed**
- **Demonstrate that pursuing collection against you will result in financial hardship**

Why Not An OIC?



- Often if qualified for CNC could request an Offer In Compromise (OIC) - here are some advantages
- No ability to make payments - no payments required
- Run out SOL - 10 year collection period may expire
- Equity in assets may prevent OIC
- Bridge to OIC - compliance
- Dissipated assets - get beyond 3 year look-back

A Permanent Solution?



- **Status as CNC is not permanent**
- **IRS will monitor future tax returns**
- **If income is increasing they may terminate CNC**
- **No notification - just threats**
- **But all collection alternatives are still on the table**
 - **renew CNC, Installment Agreement, Offer In Compromise**

Notice of Lien



- **IRS may still file a Notice of Federal Tax Lien**
- **Protects their interest in your property**
- **Generally not filed if debt is \$10k or less**

Summary



- **CNC status can be an effective tool in dealing with tax debt**
- **Allows breathing room - until statute expires, getting into compliance, allow for financial situation to improve**