



Tax Collections in Massachusetts - What Should I Know

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Highlights



- **Dealing with state tax debts involves a process separate from dealing with federal tax debt**
- **MA offers programs similar to those offered by the IRS - Installment Agreements and Offers In Compromise**
- **In each tax debt situation consideration must be given to both federal and state debts**



General Observations

- **Somewhat surprisingly the IRS is usually easier to deal with than state tax authorities**
- **The amount owed for state tax debt is usually less than the federal debt**
- **A typical situation is one where the state is paid in full (usually through an installment agreement) and an Offer In Compromise is requested to deal with the federal tax debt**

Tax Return Filing Considerations



- Where debts are anticipated to both the IRS and to state authorities a benefit may be obtained by filing the state tax return prior to filing the federal return
- Specifically when requesting an Offer In Compromise from the IRS - if both returns are filed at the same time the IRS usually will not allow for full payment of the state taxes in RCP
- Letting the state assess their tax ahead of the IRS assessment allows for full payment to be allowed

MA Installment Agreement



- Debts \$5k or less - monthly minimum \$25 - up to 36 months - online set up - no financial statement
- Debts over \$5k - monthly minimum of \$50 - financial statement requirement - explanation of payment amount determination required - supporting documents need to be provided

MA Offer In Compromise



- **Compliance - MA requires payment for most recent return - IRS does not**
- **RCP - MA uses same concept including expense standards**
- **Minimum Offer - MA \$5k (limited exception) - IRS none**
- **Lump Sum - both require 20% upfront - MA balance within 60 days - IRS five months**
- **Installment Payment - both required payment within 24 months - beginning with offer submission**

Conclusion / Up Next



- **This discussion relates to MA - many other states have similar programs**
- **Any review of a tax debt situation must consider both federal and state obligations**
- **Up Next - SFR - Substitute For Return**