

IRS Response to COVID-19: Installment Agreements, Offers in Compromise, and IRS Collection Actions

TAX SECTION



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The novel coronavirus known as COVID-19 has changed the world as a global pandemic disrupts the day-to-day business operations of almost every country. The IRS has responded to ease the strain on taxpayers during this difficult time by modifying its procedures for collecting assessed federal tax liabilities.

First, those with existing IRS installment agreements have been granted a temporary pause on all payments from April 1 to July 15. Additionally, the IRS has made it clear it will not treat as a default nonpayment or similar events under any installment agreements during this period for any reason. Interest will continue to accrue on these balances. Although this pause also applies to direct debit agreements, the IRS will not automatically stop direct debit withdrawals from taxpayers' bank accounts. Therefore, any taxpayer who has a direct debit installment agreement will need to request its bank to halt payments during this period. If the taxpayer has a traditional agreement (i.e., the installment payments are sent in by check or manually paid online every month), the only thing the taxpayer needs to do is stop payment during this period.

Second, the IRS's automatic system will not issue new liens or levies from April 1 to July 15. For liens and levies that already exist, the IRS has agreed to suspend levy action temporarily (including any seizures of a personal residence). However, field revenue officers will continue to pursue high income non-filers in the normal course. All field visits have also been suspended. Revenue officers will not visit taxpayers or their representatives during this period to help prevent the spread of COVID-19. The IRS will also not forward new delinquent accounts to private collection agencies during this period.

Finally, the IRS has instituted new rules as to offer in compromise ("OIC") requests. Those with pending OIC applications will be given until July 15 to provide requested additional information to support the OIC. If an OIC has been accepted, taxpayers have the option to suspend all payments until July 15, although interest will continue to accrue. Finally, the IRS will not treat as a default under an OIC a taxpayer's being delinquent in filing a 2019 tax return so long as the taxpayer files the return on or before July 15.

The IRS announced these new policies on March 25 via IR-2020-59. Through this difficult time, it is encouraging that the IRS has been proactive in granting taxpayers much needed relief.

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