You Owe the IRS Money... Now What?

Understanding IRS Conflicts

Wisconsin Judicare, Inc.

This important information is brought to you by: Judicare’s Low Income Tax Clinic
IRS LIENS

- Federal Tax Liens are public records that indicate you owe the IRS various taxes.
- Liens are filed in the county from which you or your business operates.
- Liens may appear on your credit report and may harm your credit score.
- Once a Federal Tax Lien is filed against your property you cannot sell or transfer the property without a clear title.

IRS LEVY

- The actual action taken by the IRS to collect taxes.
- Levying means that the IRS can confiscate and sell property to satisfy a tax debt (car, boat, real estate).
- The IRS may also levy assets such as your wages, bank accounts, Social Security benefits, retirement income and other income.

* When the IRS levies a bank account, the levy is for one day. The bank is required to remove whatever amount is in the account on that day and send it to the IRS within 21 days. The levy doesn’t affect any future deposits.
* Wage levies are filed with your employer and remain in effect until the IRS notifies the employer that the levy has been released.

Note - Certain benefits such as SSI cannot be taken to satisfy an IRS tax debt.

IRS AUDITS

- Most tax returns singled out by the IRS for audit contain either tax deductions that appear to be too high in relationship to the person's income, or tax items that are erroneous, or tax items that require additional proof or an explanation, or are on the IRS' list of hot tax issues.
- The IRS can audit you by mail, in your home or in your office.
- A tax examiner might request documents, explanations of various deductions and bank records.

IRS SEIZURES

- Occurs when taxpayers avoid the IRS.
- The IRS can seize personal and business assets to pay off outstanding tax liabilities.

WAGE GARNISHMENT

- The IRS collects taxes owed through your employer.
- The employer is required to collect a large percent of each paycheck.
- Is in effect until the IRS is fully paid.

UNFILED TAX RETURNS

- The IRS may file a Substitute For Return (SFR) for you.
- The IRS will make an educated guess on how much tax you owe.
- The only deduction you will receive is the standard deduction. Personal exemptions for spouses, children, interest and taxes on our home, cost of any stock or real estate sales, and business expenses, etc. will not be applied.

IRS PENALTIES

- The most common penalties are:
  Failure to File
  Failure to Pay
- The IRS charges interest on the penalties.
- Many taxpayers don’t find out about the problem until many years after it has occurred causing greater amounts owed to the IRS with all the interest charges and penalties attached.
INNOCENT AND INJURED SPOUSES

➢ If you sign a joint return, the IRS may be able to collect any tax relating to that return from you, even if your spouse is the one that reported it incorrectly.

➢ You may be eligible for Innocent Spouse relief if you meet the following conditions:
  * You filed a joint return on which there was an understatement of tax due to an erroneous item relating to your spouse.
  * You didn’t know and had no reason to know about the understatement when you signed the return and it would be unfair to make you pay the tax
  * You elect to receive relief within two years after the IRS begins trying to collect the tax information from you

➢ Innocent spouse relief may be available even if you're still married to, and living with, the spouse who should have reported the additional tax.

➢ If you have an unpaid tax bill from prior years, the IRS can keep your refund for the current year as a payment on that liability. Your refund can be applied against unpaid child support, spousal support and student loans. If the IRS has applied your share of a refund against a liability owed by your spouse, you're an Injured Spouse entitled to relief.

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Wisconsin Judicare’s LITC does not do current year tax preparation.

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