

# IRS expands aid to those who can't pay

*This post is by Laura Saunders of The Wall Street Journal.*

**Penalties have been eased for the unemployed, and installment-payment options have been expanded. The IRS even has videos to explain the program.**

The Internal Revenue Service has announced changes to its **Fresh Start** program to further aid struggling taxpayers. The new features include penalty relief for the unemployed and expanded installment-payment options. The agency began Fresh Start in 2008.

The penalty relief for unemployed taxpayers is for "failure to pay" levies, which the IRS says are one of the biggest expenses that financially distressed taxpayers face on a tax bill.

The relief grants a six-month grace period for paying off taxes to those who have been unemployed for at least 30 consecutive days in 2011 or 2012, up to this year's April 17 filing deadline. The same grace period applies to self-employed workers whose business income fell 25% or more in 2011.

Taxpayers who qualify for this break do not have to pay tax owed for 2011 until Oct. 15, 2012. Payments would otherwise be due by April 17, with unpaid balances subject to penalties

The relief is subject to income limits, however. It's not available to joint filers whose income exceeds \$200,000 or to single filers with income greater than \$100,000. Further, the 2011 balance due the IRS cannot exceed \$50,000. To get the benefit, a taxpayer must file Form 1127.

## **Installment agreements**

The IRS is also allowing more taxpayers to qualify for a "streamlined" installment agreement in an effort to make it easier to catch up on back taxes.

Effective immediately, the threshold for such agreements has been doubled, to \$50,000, with no financial statement required. Taxpayers who owe \$50,000 or less may enter into an agreement to pay the IRS in installments spread out over months or years; the maximum term is now six years, up from five. Penalties are reduced, although interest continues to accrue on any outstanding balance.

In order to qualify for the new agreement, a taxpayer must agree to monthly direct debit payments, and he or she will still need to supply the IRS with a Collection Information Statement Form 433-A or Form 433-F (.pdf files). Taxpayers can set up an installment agreement at the IRS website.

The IRS has more information for taxpayers who haven't paid -- or can't pay -- what they owe. A series of eight short videos, "Owe Taxes? Understanding IRS Collection Efforts," is available to familiarize taxpayers and practitioners with the IRS collection process.