THE INTERNAL REVENUE SERVICE COLLECTION PROCESS

If the taxpayer's due date for filing his or her federal tax return occurs, and the taxpayer cannot pay the total amount owed with the return, he or she should still file a return by the due date accompanied by whatever payment that can be made. Once the return has been processed, the taxpayer will receive a bill for the unpaid tax due plus interest and penalties. If the taxpayer both files late and owes the government money, he or she will have to pay both a failure to file penalty and a failure to pay penalty. These two penalties total S percent of the tax owed on the return and are charged for each month, or portion of a month the return is late, up to a maximum of 25 percent. The failure to file penalty stops when the return is filed. The failure to pay penalty, one-half of 1 percent a month, will be charged on the unpaid balance until the liability is paid in full. If a taxpayer is over 60 days late, the amount of this penalty must be at least equal to the tax owed, or $100, whichever is less.

If a taxpayer still does not have enough money to pay. all of the tax when a bill is received, the taxpayer should return a copy of the bill to the Internal Revenue Service together with an explanation why the bill cannot be paid in full. The taxpayer should remit whatever money that can be sent and indicate telephone numbers where the taxpayer or authorized representative can be reached. In many instances, additional contact is necessary to finally resolve the account.

If full payment is not remitted, a notice of federal tax lien may be filed. Non—response to the notice can result in a levy against property such as wages and bank accounts, or, in some cases, the seizure and sale of the taxpayer's property. A lien is a legal claim against property until tax obligations have been paid. This property includes that which is acquired after the lien is filed. A lien is a matter of public record. Liens are usually filed after the IRS has decided that there is a need to secure its interest until the tax has been paid. Generally the lien is filed with the office designated by state law. It is released when the underlying tax obligations have been fully satisfied. All fees charged for both filing and releasing liens will be added to the balance the taxpayer owes.

A levy is the taking of property to satisfy a tax liability. A levy can be made on property in the hands of a third party, such as wages and bank accounts, or on property in the taxpayer's possession. A levy on salary or wages continues in effect until the underlying tax liability is satisfied, becomes unenforceable due to the lapse of time, or is released for some other reason. Where there is a levy on wages, the IRS will notify an employer when the tax is fully paid. When a levy is placed on a bank account, everything in the account is attached up the amount of the levy. If the tax liability is paid from a source other than that levied on, outstanding levies will be released. If at any point during the levy process, the taxpayer establishes reasonable doubt as to the correctness of the tax bill, the levy may be released.

In some cases, the IRS may seize and sell property. Generally, it does not sell a taxpayer's property until at least 10 days after notice to the taxpayer and to the public about the proposed sale. Prior to the sale, the IRS computes a minimum price that it will accept for the property and advises the taxpayer of the amount. If the property does not bring the minimum price at the sale, the government will take possession of the property. The sale proceeds apply first to the expenses of the levies and sales. The remaining amount is then applied against the taxpayer's bill. If the sale proceeds are less than the tax and the expenses of sale, the unpaid portion will be subject to further collection action.