

# NEWS

## Partial Payment Installment Agreements

### The new Offer in Compromise

The IRS has implemented an additional payment option, known as the Partial Payment Installment Agreement (PPIA) for taxpayers who have outstanding federal tax liabilities.

The American Jobs Creation Act of 2004 includes language amending the Internal Revenue Code to allow the IRS to enter into installment agreements that result in full or partial payment of the tax liability.

Prior to enactment of this legislation, taxpayers that could not fully pay their outstanding tax liabilities, or who did not qualify for a traditional Offer in Compromise, could only enter into an installment agreement with the IRS if it resulted in full payment of the liability.

This left many taxpayers with limited payment options, and left them vulnerable to IRS collection enforcement.

The PPIA payment option provides an appropriate payment option for many taxpayers.

### Late Filer?

Many taxpayers would like to “catch up”, file outstanding returns, and get back into the system, but fear the imposition of substantial penalties.

Your situation may not be as bad as you believe. According to IRS Policy Statement P-5-133, when it is determined that required returns have not been filed, the extent to which compliance for prior years will be enforced is normally for not more than six (6) years.

Further, the penalty for failure to file, and or pay a tax when it is due does not apply if the taxpayer shows that the failure to pay is due to reasonable cause and not to willful neglect. *IRC § 6651(a)(1) and (2)*

Congress has emphasized . . . that exemptions must be made where a taxpayer demonstrates reasonable cause. Accordingly, the IRS already allows dispensations where, for example, a taxpayer or a member of his family has been seriously ill, the taxpayer has been unavoidably absent, or the taxpayer's records have been destroyed.

A convincing argument should be made proactively that the draconian penalty provision should not apply where a taxpayer convincingly demonstrates that, for whatever reason, he reasonably was unable to exercise ordinary care.

**File NOW, and request that the IRS not assess penalties and utilize the PPIA.**