



Do You Know About the 4 Scenarios in the IRS Collection Process?

The IRS collection process begins when IRS does not receive full and timely payments from a taxpayer after it issues a collection notice. Based on the information in the taxpayer's 1040 tax return, if the taxpayer does not pay the first notice, IRS sends a second notice, plus additional interest and penalties as they continue to accrue. The collection process begins when this second – or final collection notice – is not paid.

The IRS Collection process and its actions are summarized in 4 possible scenarios:

1. **Federal Tax Lien:** A legal claim against all of the taxpayer's current and future property; which includes the taxpayer's home, car, rights to a property, wages and bank accounts.
2. **Notice of Federal Tax Lien:** A public notice informing creditors that there is a Federal Tax Lien attached to the taxpayer's current and future property and the rights to the property. IRS files this Notice to establish the priority of its claim versus the claims of other creditors. The Notice is filed at the local and state levels, and is reported to consumer credit reporting agencies.
3. **Levy:** A legal seizure of property or the rights to property. The proceeds of the sale of property, or property rights, will be used by IRS to help pay the taxpayer's tax debt. The taxpayer's wages, salary, commission, Social Security and bank accounts can also be seized and applied to the tax debt. IRS generally sends a Notice of Intent to Levy and Notice of Taxpayer's Right to a Hearing before any property is seized.
4. **Summons:** This happens when IRS is having trouble obtaining information to determine the amount of taxes owed, or collecting taxes owed. IRS will serve a summons to a taxpayer (or a third party) to meet with an IRS officer, and provide information, documents and if necessary – testify. The taxpayer could also be required to bring books and records to prepare a tax return.

During its collection process, IRS is authorized to share the taxpayer's tax information with tax agencies, the Department of Justice, federal agencies, people that the taxpayer authorizes to represent them, and in certain cases – foreign governments (under certain tax treaties). The law also allows IRS to contact third parties directly, such as neighbors, banks, employers and employees, to investigate the taxpayer's case.

Do not be a victim of your own making. Taxpayers have the right of representation before the IRS, and there are options available such as the Offer in Compromise. Consult a tax specialist if you are not able to pay your tax obligations.