IRS Announces Tax Collection Easing and Payment Flexibility During COVID-19 Crisis

March 30, 2020

In these difficult times, the IRS has taken action to ease the burden on taxpayers during the COVID-19 outbreak. On March 25, 2020, the IRS announced the People First Initiative (the "Initiative"). In addition to refraining from certain new enforcement actions and providing relief during existing collection and enforcement cases, the Initiative also provides taxpayers with key guidance as to IRS operating procedures during this uncertain time. The Initiative is projected to run from April 1 to at least July 15, 2020, and the IRS is leaving open the possibility of extending it further. Below is a summary of the major policies outlined in the Initiative.

Installment Agreements: The IRS is permitting taxpayers to suspend all Installment Agreement payments due between April 1, 2020 and July 15, 2020, although interest will continue to accrue. The Service has further committed not to place any Installment Agreement into default during the pendency of the Initiative, either for present or past non-compliance. If taxpayers find themselves unable to pay existing liabilities, the IRS will continue to process new Installment Agreements during this time.

Offers in Compromise: Taxpayers may suspend all payments on accepted Offers in Compromise ("OIC") until July 15, 2020, although interest will continue to accrue. The IRS will not default an OIC for delinquent return filings so long as taxpayers file their 2018 and 2019 returns by July 15, 2020. Pending OIC applicants have until July 15, 2020 to provide any additional requested information, and pending OIC requests will not be closed prior to that date without the consent of the taxpayer. The IRS will continue accepting OIC applications during this time.

Collection Activities: Liens and levies initiated by field revenue officers or through automatic procedures are suspended during the Initiative. Regardless, field revenue officers will continue to pursue high-income non-filers and, if needed, undertake other collection activities.

Contacting revenue officers in writing to confirm application of these initiatives may be an appropriate action. As always, these communications should be carefully drafted.

Non-Filers: The IRS is proactively encouraging all taxpayers with delinquent returns to file their returns as soon as possible, as many taxpayers are eligible for unclaimed refunds.

Passport Certifications to the State Department: The IRS will suspend new certifications to the Department of State for any "seriously delinquent" taxpayers, which would prevent those taxpayers from receiving or renewing passports.

Field, Office, and Correspondence Audits: The IRS will generally not start any new field, office and correspondence examinations. Certain corporate and business taxpayers may wish to begin an examination during this period "while the people and records are available and respective staffs have capacity." In such instances, the Service may make an exception to this rule with the taxpayer's consent, and an understanding that COVID-19 related developments may later reduce audit activities for an agreed period. The announcement notes, however, that the IRS may start new examinations if "deemed necessary to protect the government's interest in preserving the applicable statute of limitations." For existing examinations, in-person meetings are currently suspended although, where possible, the examination will continue remotely. Our firm's experience since the COVID-19 crisis began is that IRS agents are continuing to process ongoing matters.

Independent Office of Appeals: Appeals is still operating, although employees are not holding in-person conferences. Where available, conferences may be held by telephone or videoconference.

Statute of Limitations: The IRS is encouraging taxpayers to extend statutes of limitations that might expire during this time. If taxpayers will not cooperatively extend the statute of limitations, the IRS may issue a Notice of Deficiency or undertake similar actions to preserve the government's interest that otherwise might expire. If the statute of limitations is not set to expire in 2020, the IRS will likely not take action until at least July 15, 2020.

The IRS will continue to provide more specific information on these policies in the near future. The complete announcement can be found here (IR-2020-59).

Attorneys in Caplin & Drysdale's Tax Controversy group have decades of experience representing individuals and businesses before the IRS and helping taxpayers obtain needed relief and positive resolutions to their tax issues. Our attorneys will continue to monitor federal and state policies intended to help taxpayers during the COVID-19 crisis.

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