IRS troubles? Maybe you can make a deal

By Rusty Marks
Staff writer

A lot of people think that if they get into trouble with the IRS, there's no way out.

"Not always," said Howard Levy, a Cincinnati, Ohio-based tax attorney who has spent 18 years getting people out of hot water with the IRS.

Levy said there are a number of ways people with tax problems can get relief. Many are discussed on Levy's Internet Web site, www.howardlevyirslawyer.com. The site includes a section on frequently asked questions and features a blog where Levy offers tips on dealing with the IRS.

Information can also be found on the Internal Revenue Service Web site, www.irs.gov.

If you owe the IRS a lot of money, Levy says, maybe you can make a deal.

You see it on TV all the time: commercials about how citizens cut their IRS tax bills by thousands of dollars. Levy said compromise agreements with the IRS are possible, but warned, "It isn't the free lunch those people make it out to be."

Rather, a tax compromise is a complicated negotiation with the IRS to settle an overdue tax bill, and it's up to the IRS whether the deal will fly. Levy said IRS agents agree to only about 25 percent of proposed compromises.

Levy said IRS officials look at a taxpayer's income and expenses and decide how much they might be able to pay in the future. If the number looks good to the IRS, they might agree to let you pay that number as a lump-sum payment, which is usually less than your overdue tax bill.

But there's a catch. Taxpayers who take the compromise deal agree to pay their taxes in full and on time for the next five years. "You still have to pay your taxes every year," Levy said. "Your back taxes are settled."

Levy said most people don't maliciously try to get out of paying taxes. He said most tax problems are due to situations beyond a taxpayer's control, like losing a job or hefty medical bills.

A tax compromise can give taxpayers the breathing room they need to get back on a sound financial footing. "It should be a win-win for both the government and taxpayers," Levy said.

"It's not a free lunch. But it's a great program if you qualify."