

Title:

Collecting The Levy

Word Count:

463

Summary:

The Financial Management Service (FMS) is a bureau of the Department of the Treasury, to provide a centralized debt collection service to most federal agencies. The FMS has begun utilizing two Congressionally mandated federal debt collection programs. One is devised to collect delinquent non-tax debt by neutralizing federal payments and the other is to collect delinquent tax debt from those individuals who receive federal payments.

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Keywords:

Wage Garnishment Law, IRS Wage Garnishment, IRS Levy, IRS Garnishment, Wage Garnishment, Garnishment

Article Body:

The Financial Management Service (FMS) is a bureau of the Department of the Treasury, to provide a centralized debt collection service to most federal agencies. The FMS has begun utilizing two Congressionally mandated federal debt collection programs. One is devised to collect delinquent non-tax debt by neutralizing federal payments and the other is to collect delinquent tax debt from those individuals who receive federal payments.

The Tax Payer Relief Act of 1997 authorized the IRS to collect delinquent tax debts from individuals and businesses that receive federal payments, by levying up to 15% of each payment until the debt is paid.

Before the IRS transmits an electric file to the FMS, the IRS will send each tax debtor a notice by certified mail that will include the tax bill, a statement of the intent to levy, an explanation of the debtor's rights to appeal, and an IRS phone number to inquiries and assistance. The intent to levy notice will also inform the debtor that if arrangements are made to repay the debt within thirty days of the notice, the levy will be dismissed.

To those debtors who receive Social Security benefits, a second notice will be sent as an opportunity to make payment arrangements to repay the debt and to

avoid an IRS levy. As the payments are made, the FMS will send a notice to the debtor with explanation of the reduced payment, along with contacting the IRS to answer any questions regarding past debt. A debtor can make payment arrangements through the IRS at any time, whether its before a tax levy is issued or after the tax levy begins, to be released from an IRS tax levy.

Federal tax debts will be collected by FMS through The Treasury Offset Program (TOP), a program that is also used to collect non-tax debt. The TOP database, which is maintained by FMS, includes delinquent debtor information that has been submitted by federal agencies. As with the tax levy program, the IRS will supply the FMS with an electronic file containing tax debt information to be compiled in the TOP database.

FMS will match the federal payment information with the TOP database and the contact the IRS if they find any matches that would specifically identify any debtors that are recipients of Social Security benefit payments. The IRS will then send a notice of levy to the FMS to reduce matched payments continuously at a rate of 15% until the debt is paid, until other repayment arrangements are made, or until the expiration of the statutory collection period.

In February of 2002, the FMS started reducing the IRS garnishment amounts of Social Security beneficiaries who owed delinquent federal tax debts, by sending the IRS the levied amounts and sending the balance of the payments to the tax payer.