

# FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

## Owe Back Taxes? Tax Relief Companies Can Result in More Pain than Gain

*We've helped thousands of people settle their tax debts for a fraction of the amount owed.*

*We can stop wage garnishments, bank levies, tax levies, property seizures, and unbearable monthly payments.*

*We can significantly reduce your tax debt.  
Call for a free consultation.*

Fact or fiction?

Tax relief companies use the radio, television and the Internet to advertise help for taxpayers in distress. If you pay them an upfront fee, which can be thousands of dollars, these companies claim they can reduce or even eliminate your tax debts and stop back-tax collection by applying for legitimate IRS hardship programs. The truth is that most taxpayers don't qualify for the programs these fraudsters hawk, their companies don't settle the tax debt, and in many cases don't even send the necessary paperwork to the IRS requesting participation in the programs that were mentioned. Adding insult to injury, some of these companies don't provide refunds, and leave people even further in debt.

Some taxpayers who filed complaints with the Federal Trade Commission (FTC) reported that, after signing up with some of these companies and paying thousands of dollars in upfront fees, the companies took even more of their money by making unauthorized charges to their credit cards or withdrawals from their bank accounts.

If you owe back taxes and don't know how you're going to pay the debt, the FTC, the nation's consumer protection agency, says don't panic, take a deep breath, and consider your options. If you are having trouble paying bills, it's often better to try to work out a payment plan with the creditor yourself than to pay someone else to negotiate a plan for you. The same is true when you owe money to the IRS or your state comptroller.

### IRS Help for Taxpayers

If you can't pay your taxes or your payments are late, the IRS charges you penalties and interest. It also has several tax relief programs to help people who owe back taxes:

- An **Installment Agreement** is generally available to people who can't pay their tax debt in full at one time. The program allows people to make smaller monthly payments until the entire debt is satisfied.
- An **Offer in Compromise (OIC)** lets taxpayers permanently settle their tax debt for less than the amount they owe. The OIC is an important tool to help taxpayers in limited circumstances;

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taxpayers are eligible only after other payment options have been exhausted and their ability to pay has been reviewed by the IRS.

In very limited circumstances, the IRS may offer a penalty abatement to people who haven't paid their taxes because of a special hardship. If the taxpayer meets very narrow criteria, the IRS may agree to forgive the penalties. An interest abatement is even more limited and is rarely provided.

According to the IRS, you can apply for an Installment Agreement, OIC, or a penalty or interest abatement without the help of a third party. If you prefer third-party assistance in negotiating with the IRS, only certain tax professionals — Enrolled Agents (federally-authorized tax practitioners who can represent taxpayers before all administrative levels of the IRS), Certified Public Accountants (CPAs), and attorneys — have the authority to represent you. Their services should involve a face to face meeting where they explain your options and their fee structure.

You can contact the Taxpayer Advocate Service, an independent organization within the IRS that provides free help to people who are experiencing financial difficulties or who need help resolving a problem with the IRS. Call **1-877-777-4778** or visit **[irs.gov/advocate](https://www.irs.gov/advocate)**.

## State Tax Relief Programs

The process for tax settlements with the states is very similar to the process with the IRS, although it varies from state to state. In some states, for instance, a taxpayer's penalties can be waived, but interest can't. In other states, interest can be waived, but penalties can't. And in some states, legitimate tax debt can't be reduced at all. For more information, contact your state comptroller. For a state-by-state listing, visit the National Association of State Auditors, Comptrollers and Treasurers (NASACT) at **[nasact.org](https://www.nasact.org)**.

## Taxpayer Tips

If you owe back taxes and you are having trouble meeting your tax obligation:

- read your notices from the IRS or your state comptroller. Ask about collection alternatives.
- save yourself some aggravation by ignoring promises from companies that say you are “qualified” or “eligible” for a tax relief program to resolve your tax debt. Only the IRS or your state comptroller can make that determination.
- walk away if a company requires a fee in advance for tax relief services. Check them out with the IRS.

## For More Information

The FTC has free materials about dealing with debt and other money management issues at **[ftc.gov/moneymatters](https://www.ftc.gov/moneymatters)**.

The IRS has information on the collection process and payment options at **[irs.gov](https://www.irs.gov)**.

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Publication 594, The IRS Collection Process, has information on options available to taxpayers, and the IRS YouTube channel has a video at [youtube.com/irsvideos#p/u/38/h8FKcoGArr4](https://www.youtube.com/irsvideos#p/u/38/h8FKcoGArr4).

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, **1-877-FTC-HELP** (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, *How to File a Complaint*, at [ftc.gov/video](http://ftc.gov/video) to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

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1-877-FTC-HELP	FOR THE CONSUMER