



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.14.10

MARCH 14, 2022

EFFECTIVE DATE

(03-14-2022)

PURPOSE

- (1) This transmits a revision to IRM 5.14.10, Installment Agreements, Payroll Deduction Agreements and Direct Debit Installment Agreements.

MATERIAL CHANGES

- (1) IRM 5.14.10.3(1)c update link to campus balance due accounts.
- (2) IRM 5.14.10.4(8)(a) and IRM 5.14.10.5(4)(c) revises Direct Debit Installment Agreement (DDIA) e-mail instructions in the subject line when sending Form 433-D, Installment Agreement, to Centralized Case Processing (CCP).
- (3) Editorial changes made throughout the IRM section to clarify language and IRM references.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 5.14.10, dated April 13, 2021.

AUDIENCE

SB/SE Collection employees

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Acting Director, Collection Policy
Small Business/Self-Employed

5.14.10

Payroll Deduction Agreements and Direct Debit Installment Agreements

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5.14.10.1
(04-13-2021)
Program Scope and Objectives

- (1) **Purpose:** This IRM section discusses installment payment options to consider when accepting a taxpayer proposal. While many topics are touched upon in this chapter, comprehensive guidance about all of them cannot be included here. As you use this IRM section, remain alert for references to other resources, such as related IRMs and websites, and access that guidance as needed to ensure a thorough understanding of topics. Specifically, IRM 5.14.10 discusses:
 - Payroll deduction agreements
 - Direct debit agreements
 - Credit and debit card payments
 - Electronic funds transfer
 - Direct pay
- (2) **Audience:** These procedures and guidance apply to Field Collection revenue officers and group managers.
- (3) **Policy Owner:** Director, Collection Policy, SBSE.
- (4) **Program Owner:** Collection Policy, SBSE, Case Resolution Alternatives (CRA).
- (5) **Primary Stakeholders:** The primary stakeholders that are affected by these procedures or have input into these procedures are:
 - Field Collection
 - Independent Administrative Review
 - Insolvency
 - Appeals
 - Taxpayer Advocate Service
- (6) **Program Goals:** Installment agreements can be a viable case resolution for many delinquent accounts. This section provides procedures for processing payroll deduction agreements and direct debit installment agreements. Payroll deduction agreements are agreements where employers deduct payments from taxpayer's wages, and mail them to the Internal Revenue Service. Direct debit installment agreements allow the IRS to debit taxpayers' bank accounts. Payroll deduction agreements and direct debit installment agreements benefit both the taxpayer and the IRS by reducing the likelihood of default and lessening taxpayer burden. By following the procedures in this IRM, employees will be able to establish direct debit installment agreements and payroll deduction agreements that meet procedural requirements.

5.14.10.1.1
(12-14-2017)
Background

- (1) This section will discuss the process and procedures for various installment agreement payment options. These payment options benefit both the taxpayer and the IRS by reducing taxpayer burden and reducing the likelihood of an agreement default.

5.14.10.1.2
(12-14-2017)
Authority

- (1) IRC 6159, Agreements for Payment of Tax Liability in Installments.
- (2) 15 U.S.C. 1693 ET SEC. (Electronic Funds Transfer Act)
- (3) 12 C.F.R. 205 (Electronic Fund Transfers (Regulation E))

- (4) Comptroller General decision B-45105 (federal agencies required to comply with payroll deduction agreements)

5.14.10.1.3
(09-18-2020)

Responsibilities

- (1) The Director, Collection Policy is the executive responsible for the policies and procedures to be followed by Collection employees.
- (2) Field Collection group managers and territory managers are responsible for ensuring the guidance and procedures described in this IRM are complied with.

5.14.10.1.4
(09-18-2020)

Program Management and Review

- (1) Program Reports:
 - a. Monthly Installment Agreement Trend Report. Sourced from the CAR, CRA generates and reviews a monthly Installment Agreement trend report that captures data on the various types of installment agreements and compares year over year data on installment agreement inventory levels, the number of installment agreements initiated, default rates, full pay rates and dollars collected. Any anomalies are identified and re-searched for potential causes. Negative trends are identified and causes addressed.
- (2) Program Reviews:
 - a. CRA will conduct ad hoc Installment Agreement program reviews as necessary to verify compliance with IRM requirements, address TIGTA/ GAO findings and get behind any trends that appear.
 - b. Case reviews are conducted by group managers and NQRS to ensure compliance with this IRM.
 - c. Operational reviews are conducted by the territory manager and area director annually to evaluate program delivery and conformance to administrative and compliance requirements.

5.14.10.1.5
(12-14-2017)

Program Controls

- (1) Independent administrative review is required of all rejected installment agreement proposals. In addition, all rejection, modification, and termination decisions are subject to appeal procedures.
- (2) The Integrated Collection System (ICS) ensures that taxpayer conditions meet requirements for Streamlined or In-Business Express installment agreement processing criteria, that there are no unfiled returns, and requires group manager approval for all non-streamlined installment agreements.
- (3) The Integrated Data Retrieval System (IDRS) programming requires that all open modules be included in an installment agreement for input to be successful.

5.14.10.1.6
(04-13-2021)

Terms and Definitions

- (1) Frequently used terms in this IRM section along with their definition include:
 - a. Payroll Deduction: This type of installment agreement is taxpayer employer driven. The employer deducts payments from taxpayer wages and forwards directly to the IRS.
 - b. Direct Debit: This type of installment agreement is taxpayer financial institution driven. The financial institution will automatically debit the taxpayer account and forwards the payment electronically to the IRS.

5.14.10.1.7
(09-18-2020)

(1) This table lists commonly used acronyms and their definitions:

Acronyms

Acronym	Definition
ALN	Account Locator Number
CAR	Collection Activity Report
CCP	Centralized Case Processing
CRA	Case Resolution Alternatives
CSCO	Compliance Services Collection Operation
DDIA	Direct Debit Installment Agreement
EFTPS	Electronic Federal Tax Payment System
IBTF	In-Business Trust Fund
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
MMIA	Manually Monitored Installment Agreement
PDIA	Payroll Deduction Installment Agreement
TPC	Third Party Contact
UBA	Unpaid Balance of Assessment

5.14.10.1.8
(12-14-2017)

Related Resources

(1) IRM Resources:

- IRM 5.14.9, Routine and Manually Monitored Installment Agreement Dispositions, Independent Review and Appeals
- IRM 5.19.1.6.4, Installment Agreement
- IRM 5.1.1, Field Collecting Procedures, Miscellaneous Collection Procedures
- IRM 5.1.12.20.1, Manual Refund Procedures
- IRM 3.17, Accounting and Data Control
- IRM 21.2.1.48, Electronic Payment Options for Individuals and Business e-file Users

(2) Web Resources:

- Centralized Case Processing (CCP): <http://mysbse.web.irs.gov/collection/ccpcoll/default.aspx>
- ICS User Guide: <http://mysbse.web.irs.gov/collection/collsystems/ics/guides/userguide/default.aspx>
- My SB/SE Web: <http://mysbse.web.irs.gov/default.aspx>

5.14.10.2
(12-14-2017)
**Payroll Deduction
Agreements**

- (1) Payroll deduction installment agreements (PDIA) should be encouraged when a direct debit installment agreement is not practical. The use of Form 2159, Payroll Deduction Agreement, is recommended for taxpayers who are wage earners, particularly if they are federal employees, or have defaulted an installment agreement in the past. See IRM 5.1.7.8, Federal Employee/Retiree Delinquency Initiative and IRM 5.1.7.9, IRS Employee Cases, for more information on working federal employee and IRS employee cases.

Note: PDIA's should generally not be used for taxpayers with seasonal or intermittent employment.

Note: United States Postal Service (USPS) does not accept Form 2159, Payroll Deduction Agreement. To establish a PDIA with USPS, send Letter 3676, Payroll Deduction Agreement Letter. Refer to IRM 5.1.7.7.8.3(4)c for further instructions.

- (2) Streamlined installment agreements with aggregate unpaid balance of assessments (UBA) between \$25,001 and \$50,000 require either a payroll deduction agreement or direct debit as the method of payment.
- (3) Taxpayers should determine whether their employers will accept and process executed agreements before agreements are submitted for approval or finalized.

Exception: If the taxpayer's employer is a Federal agency, the taxpayer does not have to determine whether the employer will accept the agreement. The Comptroller General in Decision B-45105, dated January 21, 1955, as amended April 18, 1955, ruled that Federal agencies are **required** to deduct and pay over the amount shown on payroll deduction agreements.

- (4) Allow a reasonable period for the employer to complete the necessary book-keeping and submit the first payment.
- (5) Encourage taxpayers to hand deliver agreements to employers; otherwise mail agreements to employers. Ensure that the third party contact requirements of IRC 7602(c) have been observed before mailing agreements to employers. See IRM 5.1.1.12.1, Field Collecting Procedures, Miscellaneous Collection Procedures, for instructions regarding the provision of advance notice to the taxpayer of third party contact.
- (6) The taxpayer must sign the Form 2159, Payroll Deduction Agreement, before submission to the manager for approval, if required (See the exhibit in IRM 5.14.1-5, Installment Agreement Table).
- (7) Ensure TC 971 AC 043 is input on all modules within 24 hours of the taxpayer's request for a payroll deduction agreement. (See IRM 5.14.1.3(4), Identifying Pending, Approved and Rejected Installment Agreement Proposals on IDRS.)
- (8) If employers must be contacted during payroll deduction agreements, ensure Letter 3164-A, Third Party Contact, was sent previously. ICS systemically generates Third Party Contact (TPC) data and updates the TPC Command Code database if the revenue officer utilizes the Taxpayer or Asset Location Activity menu within the History section of ICS. If this ICS feature is not used,

complete Form 12175, Third Party Contact Report Form, and properly route to the Third Party Contact coordinator. (See IRM 25.27.1.2, Third Party Contacts.)

- (9) To ensure proper remittance and posting, instruct employers, or request taxpayers advise their employers, to show taxpayers' names and TINs, tax form(s) and period(s) on all remittances.
- (10) Determine the correct agreement locator number (ALN) , per Exhibit 5.14.1–2 for Payroll Deduction Agreements. Generation of the Form 2159, Payroll Deduction Agreement from the ICS Templates menu will automatically default the **XX** position of the ALN to **11** while allowing the initiator to select the appropriate indicator for the **YY** position of the ALN. For most circumstances, the ALN will be 1109.

5.14.10.3
(03-14-2022)
**Preparation and
Distribution of Form
2159, Payroll Deduction
Agreement**

- (1) Provide the following to the taxpayer to be delivered to the employer:
 - a. Form 2159, Payroll Deduction Agreement;
 - b. a business reply envelope addressed to the revenue officer to return the signed acknowledgment copy of Form 2159, Payroll Deduction Agreement; and
 - c. a business reply envelope addressed accordingly to be used to mail the first payment. The correct address for this envelope can be found at <http://serp.enterprise.irs.gov/databases/who-where.dr/campus-balance-due-accounts.html>, Campus Balance Due Accounts Form 2159, Payroll Deduction Agreement.

Note: Notate the purpose on each envelope, so that Form 2159, Payroll Deduction Agreement is returned to the appropriate address.

These may be mailed directly to employers if taxpayers received Letter 3164-A, Third Party Contact, or it was sent at least 45 days prior to mailing the Form 2159, Payroll Deduction Agreement. (See IRM 5.14.10.2. Also, see IRM 5.14.10.3(7) for cases involving members of the Armed Forces overseas).

- (2) Request taxpayers immediately notify their employers of payroll deduction requests and the purpose of the two envelopes.
- (3) Submit the case for approval after the taxpayer and employer have executed the Form 2159, Payroll Deduction Agreement. (See IRM 5.14.9.2, Routine and Manually Monitored Installment Agreement Dispositions, Managerial Approval.)

Exception: You may submit the case for approval without the employer's signature on Form 2159 after taking the following actions:

- Document receipt of two consecutive payroll deduction payments in the ICS history.
 - Notate "not required - see ICS history" in the employer signature block of Form 2159, Payroll Deduction Agreement.
- (4) After Form 2159, Payroll Deduction Agreement, is approved by the manager (if required), provide the taxpayer with the taxpayer's copy of the form.
 - (5) Close the case on ICS by selecting "Option B" from the Installment Agreement menu. Select "Payroll Deduction" as the IA type. Use the systemically

generated Form 3210 , Document Transmittal, to route the case to CCP for input. A systemic history is written to ICS.

- (6) Take the following steps for correct routing and processing of the payroll deduction installment agreement:
 - a. E-mail. This is the preferred method of submission. Scan the completed acknowledgement copy of Form 2159, Payroll Deduction Agreement and send it to CCP via secure e-mail. See Collection CCP Electronic Mail Routing links at <http://mysbse.web.irs.gov/collection/ccpcoll/maillingprocedures/21080.aspx> for the appropriate e-mail address.
 - b. Mail. Forward the completed acknowledgment copy of Form 2159, Payroll Deduction Agreement, with a Form 3210, Document Transmittal, to:

Internal Revenue Submission Processing Center

Mail Stop 5-E04.114

2970 Market Street

Philadelphia, PA 19104

- (7) If a payroll deduction agreement is made with a member of the Armed Forces overseas, forward the complete assembly to the taxpayer to give to his or her Commanding Officer or mail it directly to the Commanding Officer if Letter 3164-A, Third Party Contact, was mailed at least 45 days earlier. (See IRM 5.14.10.2). In these cases, the taxpayer's copy of the assembly will be furnished to the taxpayer by the military establishment. Upon receipt of the approved acknowledgment copy, attach to the balance due file and process the case appropriately (See IRM 5.14.10.2).

5.14.10.4
(03-14-2022)

Direct Debit Installment Agreements

- (1) Direct debit installment agreements (DDIA) are the preferred method for payment plans due to their low cost and lowest rate of default. DDIA's should be strongly encouraged, especially if taxpayers defaulted on previous installment agreement(s).
- (2) In cases involving joint liabilities where the taxpayers are separated or divorced, and only one party wishes to enter into an installment agreement, the account must be mirrored. See IRM 5.19.1.6.7, Mirroring Accounts. Banking law regulations require the taxpayer, or one of the taxpayers for a joint account, named on the bank account to authorize the direct debit process by signing the request.
- (3) The direct debit method of payment is required on all IBTF Express agreements with UBA (unpaid balance of assessment) between \$10,001 and \$25,000.
- (4) Streamlined installment agreements with aggregate unpaid balance of assessments (UBA) between \$25,001 and \$50,000 require either a payroll deduction agreement or direct debit as the method of payment.
- (5) The Direct Debit Installment Agreement (DDIA) system is a means by which funds are automatically debited from a taxpayer's checking account for the agreed upon installment amount. Some benefits of using direct debit installment agreements are:

- a. The user fee is lower for a DDIA than it is for a regular agreement . For user fee amounts, see <http://serp.enterprise.irs.gov/databases/irm-sup.dr/ia-user-fee-codes.html> or <https://www.irs.gov/payments>
 - b. Less chance of taxpayers forgetting to make their payment;
 - c. Less chance of a missed payment because the money was spent on other expenses;
 - d. No chance of it being lost, mishandled, misapplied, or returned as incomplete or unsigned since no check is involved;
 - e. IRS personnel will not have to manually post checks;
 - f. “Float” time associated with processing paper documents is eliminated;
 - and
 - g. Installment agreement default rate is reduced.
- (6) The Electronic Federal Tax Payment System (EFTPS) is used to process the DDIA by electronic funds transfer. See Pub 966, visit the website at: <http://www.eftps.gov>, or call 1-800-555-4477.
- (7) Take the following steps for proper completion of a DDIA:
- a. Use “Option A” within the Installment Agreement menu on ICS, select the correct IA type: Direct Debit IA , Direct Debit Streamlined IA, IBTF/Direct Debit Combination or IBTF Express/Direct Debit Combination. ICS will generate the Form 433-D, Installment Agreement, and Letter 2849, DDIA Acceptance.
 - b. On the Form 433-D, Installment Agreement, document the account number and bank routing number **OR** attach a copy of a cancelled check. The account and routing number are required fields when completing the Form 433-D, Installment Agreement via “Option A” within the ICS application. A systemic ICS history will record the bank account information.
 - c. Establish the first payment date on the Form 433-D, Installment Agreement, for 60-days from the date the IA is established. The expectation is the DDIA should be input into Status 60 within 30-45 days.
 - d. Advise the taxpayer the first payment will **not** be withdrawn from their bank account for approximately 60-days.
 - e. On ICS, the Agreement Locator Number (ALN) will default to an “03” for the “XX” value and the highest priority value will be assigned for the “YY” value. (See Exhibit 5.14.1-2, Installment Agreement Locator Numbers.
 - f. The taxpayer **must** sign the Form 433-D, Installment Agreement, when this type of agreement is secured.
 - g. If the agreement requires managerial approval, the group manager must physically sign the Form 433-D, Installment Agreement.
- (8) After securing the taxpayer’s and group manager’s (if applicable) signatures on the Form 433-D, Installment Agreement, the Form 433-D can be e-mailed or mailed using the instructions below for correct routing and processing of the DDIA:
- a. E-mail. This is the preferred method of submission. Scan the Form 433-D, Installment Agreement, that contains the taxpayer(s)’ and group manager’s (if applicable) physical signatures with the bank account and routing numbers **OR** attach a scanned copy of a cancelled check to the e-mail, if secured. Attach the scanned Form 433-D, Installment

Agreement, to the Outlook message and send via secure e-mail to the CCP mailbox at *SBSE PSC CCP DDIA. In the e-mail subject line , enter "DDIA for Input" or,

- b. Mail. Forward the completed Form 433-D, Installment Agreement, with the bank account information or copy of a cancelled check on the ICS generated Form 3210, Document Transmittal, for input. ALL field DDIAs are input at the Philadelphia CCP campus. The address on the systemically generated Form 3210, Document Transmittal, is :

Internal Revenue Service

CCP Operation

Mail Stop 5-E04.117

2970 Market Street

Philadelphia, PA 19104

- c. For Form 433-D, Installment Agreement, already systemically uploaded through ICS and in status 60 on IDRS, mail the approved Form 433-D to the address below due to banking retention requirements:

Internal Revenue Service

Mail Stop 5-E04 118

2970 Market St.

Philadelphia, PA 19104

- d. Send the closed Bal Due case file on a manually created Form 3210, Document Transmittal, to Mail Stop 5-E04.115 or on a Form 795-B, Closure / Document Transmittal.
 - e. Mail Letter 2849, DDIA Acceptance Letter, to the taxpayer and representative, if applicable.
- (9) Occasionally, the IRS may erroneously debit a taxpayer's bank account. Erroneous debits include IRS initiated duplicate debit entries, debit entries in an amount greater than authorized under the DDIA, and debit entries initiated for settlement earlier than authorized by the taxpayer under the DDIA.
- (10) Once an erroneous debit has been identified, and the IRS has confirmed that the taxpayer is not seeking indemnification from his bank, the IRS should immediately take steps to return the erroneously debited funds using manual refund procedures. See IRM 5.1.12.20.1, Manual Refund Procedures.

Note: In order to initiate the return of the erroneous debit, all that needs to be established is that the debit entry is erroneous, and that the taxpayer is not also seeking compensation from his or her bank. The taxpayer need not establish hardship or any other criteria. If, however, the taxpayer instructs the IRS to apply the erroneous debit entry to the tax liability, the IRS may follow the taxpayer's instructions.

- (11) Under the Small Claims Act, the IRS may reimburse taxpayers for bank fees incurred due to an IRS error in implementing a DDIA if the fees were incurred solely because of the IRS's error and the taxpayer did not compound the problem. The claim must be filed within one year after the fee is imposed by the bank. Follow the procedures for filing a claim for bank charges due to IRS

loss or misplacement of a taxpayer check found at IRM 3.17.10.5, Reimbursement of Bank Charges Due to Service Loss or Misplacement of Taxpayer Checks.

5.14.10.5
(03-14-2022)

Direct Debit Installment Agreements for IBTF Cases

- (1) Take the following steps for completion of a DDIA for an IBTF Express or CCP/IBTF-IA:
 - a. Use "Option A" within the Installment Agreement menu on ICS, select the appropriate IA type: "- IBTF Express/Direct Debit Combination," or ; "- IBTF/Direct Debit Combination".
 - b. Follow the steps outlined above in IRM 5.14.10.4(7)(a-g).
 - c. On ICS, the Agreement Locator Number (ALN) will default to an "03" for the "XX" value and the highest priority value will be assigned for the "YY" value. Generally, the ALN will default to 0315. (See Exhibit 5.14.1-2, Installment Agreement Locator Numbers.)
 - d. Ensure the taxpayer signs the Form 433-D, Installment Agreement.
- (2) These cases are input into Status 60 on IDRS. Only the IBTF-IA is monitored in CCP via an OI systemically created when the IA is approved. CCP needs to receive the case file for monitoring and the Philadelphia Campus needs to receive the DDIA information to establish the DDIA processing.
- (3) The IBTF Express IA is NOT monitored at CCP. Thus, no NF OI is created.
- (4) Forward the case file to the group manager for review, approval and signature. Once the group manager approves the IA, take the following steps for correct routing and processing of the IBTF-DDIA:
 - a. Forward the IBTF-IA case file to CCP for monitoring on the systemically generated Form 3210, Document Transmittal, at Mail Stop 5-E04.117.
 - b. Forward the IBTF Express IA case file to closed files on the systemically generated Form 3210 at Mail Stop 5-E04.115.
 - c. E-mail. This is the preferred method of submission. Scan the Form 433-D, Installment Agreement, that contains the taxpayer(s) and group manager's (if applicable) physical signatures with the bank account and routing numbers **OR** attach a scanned copy of a cancelled check to the e-mail, if secured. . Attach the scanned Form 433-D, Installment Agreement, to the Outlook message and send via secure e-mail to the CCP mailbox at *SBSE PSC CCP DDIA. In the e-mail subject line, enter "DDIA for Input" . The revenue officer may also mail the Form 433-D to the address in (d) below.
 - d. Mail. Forward the completed Form 433-D, Installment Agreement, with the bank account information or copy of a cancelled check on the ICS generated Form 3210, Document Transmittal, for input. ALL field DDIAs are input at the Philadelphia CCP campus. The address on the systemically generated Form 3210 is:

Internal Revenue Service

CCP Operation

Mail Stop 5-E04.117

2970 Market Street

Philadelphia, PA 19104

- e. For Form 433-D, Installment Agreement, already systemically uploaded through ICS and in status 60 on IDRS, mail the Form 433-D to the address below due to banking retention requirements:

Internal Revenue Service

Mail Stop 5-E04.118

2970 Market St.

Philadelphia, PA 19104

- f. Mail Letter 2849, DDIA Acceptance, to the taxpayer and representative, if applicable.

5.14.10.6
(03-11-2011)

**Credit (and Debit) Card
Payments by Taxpayers**

- (1) Taxpayers may make payments, including installment agreement payments, with a credit or debit card. See IRM 21.2.1.48, Electronic Payment Options for Individuals and Business e-file Users, for more information.

5.14.10.7
(03-11-2011)

**Electronic Funds
Transfers by Taxpayer**

- (1) Taxpayers may make payments, including installment agreement payments, by making Electronic Funds Transfers (EFT) using the Electronic Federal Tax Payment System (EFTPS). See Publication 966 Electronic Federal Tax Payment System, website <http://www.eftps.gov> or call 1-800-555-4477 for more information.

5.14.10.8
(01-22-2015)

Direct Pay

- (1) IRS Direct Pay is a new payment application available to IMF taxpayers to make secure, electronic payments, including installment agreement payments, from their checking or savings accounts. The Direct Pay option is located under the "Pay" tab at <http://www.irs.gov>.