

IRS



Fact Sheet

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SOCIAL SECURITY PAYMENTS SUBJECT TO FEDERAL PAYMENT LEVY PROGRAM

Social Security beneficiaries who owe federal taxes may be subject to levy in order to pay their tax bill. Social Security payments could be levied by 15 percent through the Federal Payment Levy Program (FPLP) until the debt is satisfied. To prevent payments from being levied, Social Security beneficiaries should contact the Internal Revenue Service immediately to resolve their tax debt.

- About 232,000 of the nearly 45 million people who receive Social Security payments are delinquent in paying their federal taxes.
 - The General Accounting Office (GAO) estimates the FPLP could recover about \$311.8 million annually in unpaid tax bills from those who receive Social Security benefits.
- Notices will be sent beginning in October to Social Security recipients who owe federal tax debts.
- The IRS will suspend notices from being sent to anyone within one of the federally declared disaster areas related to the recent terrorist attacks. Anyone who lives outside the disaster areas, but is affected by the attacks and receives a notice, should call 1-866-562-5227 for assistance.

What Taxpayers Should Do

To prevent having their benefits reduced, seniors or other Social Security recipients with overdue tax debts should contact the IRS at 1-800-829-7650. Those who have already arranged to pay their tax debts through installment agreements or other IRS programs won't be affected and do not need to contact the IRS.

- Taxpayer's options to resolve their debt include:
 - Paying their account in full
 - Setting up an installment agreement
 - Request an Offer in Compromise
 - Hardship Request – those who feel they may suffer a hardship, contact the Taxpayer Advocate Service at 1-877-777-4778.

The Taxpayer Advocate Service is an IRS program that provides an independent system to help taxpayers resolve tax issues. Hardship situations and other issues are reviewed taking into consideration the merits of each case.

- Social Security benefits not subject to be reduced under the FPLP include:
 - Benefit payments paid to children
 - Lump sum death benefits
 - Prouty Benefits -- Special benefits for people who were 72 and over by 1971
 - Payments with partial withholding to repay a debt owed Social Security
 - Supplemental Security Income (SSI) payments

The Levy Process

- The Federal Payment Levy Program only goes into effect when a taxpayer has not paid taxes due and not arranged to satisfy the debt. Unless taxpayers resolve their tax debt, their monthly Social Security payments could be reduced by 15 percent.
- Social Security Administration, Title II (OASDI) beneficiaries will be notified beginning October 2001 that they are subject to the 15 percent continuous levy.
- The IRS will **not** issue a levy if payment arrangements are made within 30 days after a final notice is sent.
- Before a levy is issued, taxpayers receive the following:
 - A final notice with details about their tax bill,
 - An explanation of their appeal rights,
 - And a telephone number for inquiries and assistance.
- If there is no response to the notice from the taxpayer, the IRS transmits the levy electronically to the Financial Management Service (FMS), an agency of the Treasury Department.
- The levy stays in place until the debt is paid or other satisfactory arrangements are made. FMS reduces the taxpayer's monthly Social Security payments by 15 percent and transmits it to the IRS to pay the taxpayer's tax debt. The balance of the Social Security payment is sent to the taxpayer.
- Those in bankruptcy, hardship, or those who qualify for relief as an innocent spouse or injured spouse will not be included in the FPLP.

Background

- Congress approved the Taxpayer Relief Act of 1997, which authorizes a continuous levy on certain federal payments going to individuals and businesses. Certain Social Security benefits were included in those federal payments.
- History of the Federal Payment Levy Program (FPLP):
 - The Federal Payment Levy Program started in July 2000

- The FPLP started in July 2000 with levies on some federal retirement payments and payments to federal contractors/vendors. Federal employee travel advances and reimbursements were later added in the program.
- Over \$16 million has been collected since July 2000 through September 2001
 - Businesses: \$11.5 million
 - Individuals: \$4.5 million
- The FPLP will phase in other federal payments over the next 3-4 years. Federal employee salaries paid through the National Finance Center will be added to the program during fall 2001.

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