TAX LAW ADVOCATES

THE 2026 GUIDE TO

IRS FRESH START AND TAX DEBT RELIEF

A practical roadmap to payment plans, Offers in Compromise, hardship status, penalty relief, liens, levies, and the decisions that shape a successful resolution.

Your tax problem is a set of facts—not a label.

There is no single IRS “Fresh Start application.” Fresh Start is a commonly used umbrella term for collection policies and resolution options. The right path depends on the amount and type of tax, filing compliance, income, assets, expenses, collection deadlines, and active enforcement.

PREPARED BY TAX LAW ADVOCATES

IRS tax relief and tax debt resolution • Serving taxpayers nationwide

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A clearer way to understand “Fresh Start”

This guide begins with diagnosis, then explains the principal collection alternatives, the evidence the IRS may review, and the risks that should be addressed before an application is filed.

01 • Start here	What Fresh Start means; compliance; notices; collections; deadlines
02 • Resolution paths	Payment plans, Offer in Compromise, Currently Not Collectible status
03 • Related relief	Penalty relief, liens and levies, appeals, innocent spouse and bankruptcy considerations
04 • Build the case	Financial analysis, documents, forms, process, mistakes and decision tools
05 • Work with TLA	Our resolution process, consultation checklist, glossary and official resources

Important 2026 update

The IRS introduced Automatic Exemption from Penalty (AEP) in July 2026 and is phasing out First Time Abate for eligible returns. This guide explains the transition and distinguishes administrative relief from reasonable-cause relief.

01 What the IRS Fresh Start Initiative really is

“Fresh Start” is not one settlement program, one form, or a promise that every taxpayer can pay pennies on the dollar. It refers to collection policies and relief mechanisms that can make resolving federal tax debt more manageable.

The five questions that drive the strategy

• Are all required returns filed, and are current-year estimated payments or payroll deposits being made?

• Is the IRS balance correct—including tax, penalties, interest, and responsible-party assessments?

• Can the taxpayer pay in full now, over time, partially, or not at all without sacrificing basic living expenses?

• What equity exists in cash, investments, vehicles, real estate, retirement accounts, or business assets?

• Where is the case in the collection cycle, and which deadlines or enforcement risks require immediate action?

The most common outcomes

Full pay / short-term plan	Resolve quickly and limit future accruals	Funds are available now or within 180 days
Installment agreement	Monthly repayment over time	Positive cash flow; full or partial repayment is feasible
Offer in Compromise	Settle qualifying debt for less than full balance	Full collection is doubtful, or exceptional circumstances support compromise
Currently Not Collectible	Temporarily pause most collection activity	Payment would prevent basic living expenses
Penalty relief	Remove eligible penalties	Clean compliance history, automatic eligibility, or documented reasonable cause

Myth check

A $50,000 balance is an online or simplified-plan threshold—not a universal Fresh Start eligibility ceiling. Income limits sometimes promoted online are also not universal requirements for every IRS resolution option.

02 Compliance comes before resolution

Most collection alternatives require the taxpayer to be “current.” In practice, that usually means required returns have been filed and current obligations are being paid as they arise. A resolution of old debt can default if new debt appears.

A practical compliance checklist

• Identify every unfiled federal return and confirm whether the IRS prepared a Substitute for Return (SFR).

• File accurate returns—even when the balance cannot be paid in full. Filing starts important limitation periods and may reduce failure-to-file exposure.

• Adjust wage withholding or make current estimated tax payments if self-employed or under-withheld.

• For employers, make timely federal tax deposits and file employment tax returns. Payroll tax cases carry special enforcement and responsible-person risks.

• Review state tax compliance separately; an IRS resolution does not automatically resolve state liabilities.

Confirm the account before choosing a remedy

Obtain account transcripts, wage and income records, and copies of relevant notices. Verify assessment dates, collection statute dates, payments, credits, penalties, interest, lien filings, levy activity, and prior agreements. Each assessment may have a different Collection Statute Expiration Date (CSED).

Do not build a strategy from the notice balance alone

A notice is a snapshot. Transcripts and collection records can reveal missing returns, pending adjustments, prior default codes, separate CSEDs, and periods that need different treatment.

03 Know where you are in the IRS collection cycle

Urgency depends on the notice and the action threatened. Opening mail, preserving deadlines, and responding through the correct channel can materially change the available options.

Balance-due notice	The IRS has assessed a balance and requests payment	Verify the tax period and amount; assess immediate payment or plan options
Final Notice of Intent to Levy	The IRS may seize certain property after applicable notice and waiting periods	Calendar the Collection Due Process deadline; seek a hold or hearing where available
Wage or bank levy	A third party must surrender wages or funds	Act immediately; release may depend on hardship, payment, error, or an alternative
Notice of Federal Tax Lien	Public notice protects the government's claim against certain creditors	Evaluate release, discharge, subordination, or withdrawal—each is different
Revenue officer contact	The case is assigned for active field collection	Coordinate disclosures, deadlines, and a defensible resolution proposal

Your procedural rights matter

Depending on the notice and timing, taxpayers may have Collection Due Process, equivalent hearing, Collection Appeals Program, audit reconsideration, innocent spouse, or other review rights. Missing a deadline may narrow the forum or remedy.

Never ignore a levy notice

A resolution request may restrict collection in some circumstances, but protection is not automatic in every case. Confirm the status of collection activity and any statutory deadline.

04 Payment plans and installment agreements

A payment plan can be the most efficient resolution when the balance is correct and affordable repayment is possible. Interest and applicable penalties generally continue until the balance is paid.

Current self-service options for individuals

Short-term plan	Less than $100,000 in combined tax, penalties, and interest	Pay in 180 days or less; no setup fee, although payment-processing fees may apply
Simple Payment Plan	$50,000 or less in assessed tax, penalties, and interest	Required returns must be filed; proposed payments must generally full-pay by the applicable CSED
Other installment agreement	Cases outside simplified criteria	May require financial disclosure, supporting documents, manager review, or different terms

Types you may encounter

Guaranteed agreements: Narrow statutory criteria may apply to certain individual income-tax balances of $10,000 or less. Partial-payment installment agreements: Monthly payments may not fully pay before the CSED and the IRS may periodically re-evaluate finances. Business plans: Rules vary with entity, tax type, employees, balance, and deposit compliance.

Default risks

- Missing a payment or incurring a new unpaid liability
- Failing to file a required return
- Providing inaccurate information or failing to supply requested updates
- Allowing a direct debit to fail without promptly correcting it

Affordability matters

A payment that looks manageable today can fail if it ignores seasonal income, health costs, payroll obligations, or anticipated tax. A sustainable agreement protects both the resolution and current compliance.

05 Offer in Compromise: settlement for qualifying cases

An Offer in Compromise (OIC) may settle federal tax liabilities for less than the full amount when the legal and financial criteria are met. Acceptance is never guaranteed. The IRS evaluates the basis for compromise, compliance, collectibility, and the completeness and credibility of the submission.

Three legal bases

Doubt as to Collectibility	The taxpayer’s assets and income are insufficient to pay the full liability within the collection period.
Doubt as to Liability	A genuine dispute exists about whether the assessed tax is correct. A separate procedure and form may apply.
Effective Tax Administration	The liability may be collectible, but full collection would create economic hardship or, in exceptional cases, be inequitable and unfair.

The financial core: reasonable collection potential

For collectibility offers, the IRS generally analyzes realizable equity in assets plus a prescribed measure of future income. Allowable living expenses are evaluated under national and local Collection Financial Standards, with deviations requiring explanation and proof. The lowest offer is not necessarily the strongest offer; it must be supportable.

Beware of “pennies on the dollar” advertising

The amount owed alone does not determine the settlement. A taxpayer with substantial accessible equity or disposable income may need to offer far more—or may be better served by another strategy.

06 Building and submitting an Offer in Compromise

Typical submission package

• Form 656 and the applicable financial statement—usually Form 433-A (OIC) for individuals or Form 433-B (OIC) for businesses.

• A $205 application fee and initial payment for each required offer, unless an exception applies. Qualifying low-income individuals may be exempt from the fee, initial payment, and ongoing periodic payments while the offer is pending.

• Bank, investment, retirement, vehicle, real estate, loan, insurance, income, expense, and business documentation supporting every material figure.

• A clear narrative and exhibits for special circumstances, dissipation issues, health needs, dependents, shared expenses, or deviations from standard allowances.

Payment choices

Lump-sum cash offer	Generally 20% of the offer amount, unless an exception applies	Pay the balance in five or fewer payments within the required period
Periodic payment offer	First proposed monthly payment, unless an exception applies	Continue proposed monthly payments while pending and after acceptance until paid

After acceptance

Taxpayers must satisfy the offer terms and generally remain compliant with filing and payment obligations for five years after acceptance. Refunds and credits may be treated under the rules in effect for the offer. A default can reinstate the compromised liability, less payments and credits, plus applicable additions.

Timing can change the economics

An OIC can suspend the collection statute while pending and during certain appeal periods. That makes a weak or premature filing consequential. Analyze the CSED before submission.

07 Currently Not Collectible status

If paying the IRS would leave a taxpayer unable to meet necessary living expenses, the IRS may report the account as Currently Not Collectible (CNC) due to hardship and temporarily delay most collection activity. CNC is a status—not forgiveness.

What CNC can do

- Pause many active collection efforts while financial hardship continues.
- Create breathing room to stabilize housing, utilities, food, transportation, health care, or employment.
- Allow time to reassess longer-term options as income, assets, or collection deadlines change.

What CNC does not do

- Erase the debt or guarantee permanent protection.
- Stop penalties and interest from accruing.
- Prevent a Notice of Federal Tax Lien in every case.
- Prevent refund offsets or future financial reviews.

Evidence the IRS may request

The IRS may ask for a Collection Information Statement such as Form 433-F or 433-A, together with bank statements, pay records, benefit statements, housing costs, utilities, transportation, medical expenses, loan statements, asset values, and other proof. The IRS compares actual expenses with Collection Financial Standards and considers special circumstances.

CNC and the 10-year collection period

The IRS generally has 10 years from assessment to collect, but the period can be suspended or extended by specific events. Never assume debt will “expire soon” without verifying each tax period’s CSED and tolling events.

08 Penalty relief in 2026

Penalty relief is separate from reducing the underlying tax. Interest charged on tax generally remains; interest attributable to an abated penalty may be adjusted. Eligibility depends on the penalty, tax period, compliance history, facts, and timing.

Automatic Exemption from Penalty (AEP)

In July 2026, the IRS announced AEP, a systemic administrative relief program for eligible taxpayers with a timely compliance history. It begins with eligible original returns for tax year 2025 and eligible 2026 quarterly returns and will replace First Time Abate for eligible returns with original due dates on or after January 1, 2027. Eligible failure-to-file, failure-to-pay, and failure-to-deposit penalties may be prevented automatically.

First Time Abate transition

During the transition, some qualifying taxpayers may still receive eligible penalty notices and may contact the IRS to request First Time Abate. Historical eligibility generally looks to a clean three-year compliance history, required returns filed, and payment or an arrangement to pay.

Reasonable cause

A taxpayer who exercised ordinary business care and prudence but could not comply may request relief based on facts and circumstances. Examples can include serious illness, death, fire, casualty, natural disaster, inability to obtain records, or other documented disruption. Lack of funds alone is usually insufficient, although the cause of the inability to pay may be relevant.

Documentation wins credibility

Create a dated timeline. Connect the event to the missed obligation. Include hospital records, death certificates, insurance records, correspondence, disaster evidence, professional advice, and proof of corrective action as appropriate.

09 Federal tax liens, levies, and garnishments

Federal tax lien	A legal claim arising against property and rights to property after assessment, notice, and failure to pay. An NFTL is the public filing.	Is the filing correct? Can it be released, withdrawn, subordinated, or a specific property discharged?
Levy	A legal seizure of property or rights to property, such as bank funds, receivables, Social Security benefits, or other assets.	Was proper notice issued? Is there hardship, error, an appeal right, or a viable collection alternative?
Wage levy	A continuing levy on wages until released, paid, or otherwise ended.	What income is exempt? Would the levy prevent basic living expenses? Can a resolution be secured quickly?

Release, withdrawal, discharge, and subordination are not synonyms

Release generally ends the lien after the liability is satisfied or becomes unenforceable. Withdrawal removes the public NFTL in qualifying circumstances but does not erase the debt. Discharge removes a particular property from the lien. Subordination allows another creditor to move ahead of the IRS, sometimes facilitating refinancing or payment.

A payment plan does not automatically remove a lien

Some qualifying taxpayers with a Direct Debit Installment Agreement and aggregate balances of $25,000 or less may request NFTL withdrawal after meeting detailed conditions, including consecutive payments and compliance. The IRS decision is fact-specific.

10 Other relief that may belong in the analysis

Innocent spouse relief

A spouse or former spouse may seek relief from certain joint liabilities when statutory requirements are met. The correct route—traditional, separation-of-liability, or equitable relief—depends on knowledge, marital status, timing, and fairness factors.

Audit reconsideration and liability challenges

If an assessment resulted from an examination and the taxpayer did not participate or has new information, audit reconsideration or another liability procedure may be appropriate. An OIC based on doubt as to liability is not a substitute for every available challenge.

Bankruptcy considerations

Some income tax debts may be dischargeable if technical timing and filing rules are satisfied; many taxes, liens, trust fund liabilities, and recent assessments receive different treatment. Bankruptcy can affect collection and limitation periods. Coordinate tax and bankruptcy advice before filing.

Trust Fund Recovery Penalty

Responsible individuals can be personally assessed for certain unpaid employment taxes. Ownership title alone is not the test; responsibility and willfulness are central. Payroll tax cases should be addressed early.

State tax debt

California and other states have their own collection agencies, statutes, lien procedures, payment plans, settlements, and hardship standards. A coordinated strategy may be necessary when both federal and state balances exist.

Sometimes the first objective is not “settlement”

Correcting the assessment, filing missing returns, protecting appeal rights, releasing a levy, or preventing new debt may create more value than immediately applying for a collection alternative.

11 How the IRS evaluates financial ability

Collection decisions often begin with a financial statement. The IRS looks beyond take-home pay and household bills; it evaluates income, allowable expenses, assets, equity, transfers, business activity, and the remaining collection period.

Income	Wages, business draws, pensions, benefits, rental income, support	Is it stable, seasonal, declining, or expected to change?
Liquid assets	Cash, bank accounts, investments, digital assets	Are funds restricted, borrowed, jointly owned, or needed for necessary operations?
Other assets	Real estate, vehicles, retirement, insurance, business assets	What is fair market value, loan balance, sale cost, and realizable equity?
Expenses	Food, housing, transportation, health care, taxes, secured debts	What is allowable under standards? What special circumstances justify actual costs?
Transfers	Gifts, below-market sales, asset movement, unusual withdrawals	Was value dissipated? Is there a legitimate explanation and documentation?

Collection Financial Standards

The IRS publishes national standards for food, clothing, personal care, and miscellaneous expenses; local standards for housing, utilities, and transportation; and rules for other necessary expenses. The standards are not a household budget and do not automatically control every case. The analysis considers whether an expense is necessary for health, welfare, or production of income, plus substantiated special circumstances.

2026 figures are date-sensitive

The IRS Collection Financial Standards used for this edition became effective June 29, 2026. Always use the current standards when preparing a live case.

12 Your case file: documents and forms

Documents commonly requested

• IRS notices, account transcripts, return transcripts, and copies of filed or missing returns

• Three to six months of statements for all bank, investment, payment-app, and digital-asset accounts

• Pay stubs, benefit letters, pension statements, profit-and-loss statements, and proof of other household income

• Mortgage or lease, utilities, vehicle loans, insurance, child support, court orders, medical expenses, and dependent costs

• Real estate estimates, vehicle values, retirement balances, life insurance cash values, loan documents, and business asset schedules

• Proof of estimated payments, federal tax deposits, withholding changes, and current compliance

Common IRS forms

Form 2848	Power of Attorney and Declaration of Representative
Form 8821	Tax Information Authorization; permits access but not representation
Form 9465	Installment Agreement Request
Form 433-F / 433-A / 433-B	Collection financial disclosure for individuals or businesses
Form 656 + 433-A(OIC)/433-B(OIC)	Offer in Compromise package
Form 843	Claim for Refund and Request for Abatement in applicable situations
Form 12153	Request for a Collection Due Process or Equivalent Hearing
Form 12277	Application for Withdrawal of Filed Form 668(Y), Notice of Federal Tax Lien

13 Mistakes that make IRS cases harder

Filing an OIC because the balance “sounds large”

The IRS evaluates collectibility, not emotional burden. A financial analysis should come first.

Ignoring current compliance

A new unpaid tax period can block or default a resolution.

Submitting unsupported numbers

Rounded expenses, omitted accounts, or unexplained transfers invite questions and delay.

Accepting an unaffordable payment

A default can trigger renewed enforcement and additional fees.

Missing appeal deadlines

Some of the strongest procedural protections are deadline-driven.

Assuming a lien and levy are the same

They create different risks and require different remedies.

Calling the IRS without a plan

Unprepared disclosures can shape the collection record. Know the facts, goal, and documents first.

Trusting guarantees

No representative controls IRS acceptance. Ethical advice explains risks, alternatives, fees, and assumptions.

A strong case is consistent

The returns, transcripts, financial statement, bank records, narrative, and proposed remedy should tell the same story. Inconsistency is one of the fastest ways to lose credibility.

14 A practical decision map

You can pay within 180 days	Short-term payment plan	Total online balance, accruals, and cash-flow timing
You can afford stable monthly payments	Simple or other installment agreement	CSED, lien impact, current compliance, and sustainability
You cannot full-pay before collection expires	OIC or partial-pay installment agreement	Asset equity, future income, tolling, and offer economics
Any payment would prevent basic living expenses	Currently Not Collectible status	Necessary expenses, evidence, liens, reviews, and future changes
Penalties are a large part of the balance	AEP, transitional First Time Abate, or reasonable cause	Penalty type, tax period, history, and documentation
The balance may be wrong	Liability challenge, amended return, reconsideration, appeal, or DATL offer	Procedural posture, proof, and limitation periods
A levy or garnishment is active	Immediate collection intervention	Deadline, hardship, exempt amount, and viable alternative

Several paths can coexist

A case may involve levy release first, compliance second, penalty relief third, and a long-term collection alternative last. Sequence is strategy.

15 How Tax Law Advocates approaches a resolution

Our process is designed to replace uncertainty with a documented strategy. Scope and representation depend on the engagement and the facts of the case.

1 • Case review	We identify tax periods, notices, deadlines, collection activity, filing gaps, and immediate risks.
2 • IRS records	With authorization, we obtain and analyze available transcripts and account information.
3 • Compliance plan	We address missing returns and current withholding, estimates, or federal tax deposits.
4 • Financial diagnosis	We examine income, necessary expenses, assets, equity, CSEDs, and resolution economics.
5 • Strategy comparison	We explain viable options, tradeoffs, evidence, timing, and foreseeable risks.
6 • Submission and negotiation	We prepare the selected request, communicate with the IRS within scope, and respond to development questions.
7 • Implementation	We help track terms, payments, notices, compliance duties, and next-stage issues.

Why attorney-led analysis can matter

Tax collection cases can combine federal procedure, evidence, negotiation, financial analysis, liens, levies, appeals, business operations, and potential litigation or bankruptcy issues. Legal representation can be especially valuable when liability is disputed, enforcement is active, assets are complex, payroll taxes are involved, or multiple remedies overlap.

16 Prepare for your consultation

You do not need a perfect file to ask for help. Bring what you have and identify what is missing.

Information to gather

- ☐ Most recent IRS notice and any levy, lien, audit, or appeals correspondence
- ☐ Estimated total federal and state balances and years involved
- ☐ List of filed and unfiled returns
- ☐ Household members and dependents
- ☐ Monthly gross and net income from every source
- ☐ Monthly housing, transportation, health, child/dependent, tax, and secured-debt expenses
- ☐ Bank, investment, retirement, real estate, vehicle, business, insurance, and digital assets
- ☐ Active garnishment, bank levy, passport, sale, refinance, or business deadline
- ☐ Prior installment agreements, offers, bankruptcy filings, or penalty requests

Questions worth asking

- Which facts make each option stronger or weaker?
- What must happen first, and what deadlines control the sequence?
- What documents will the IRS likely request?
- How could this option affect the collection statute, liens, refunds, or future compliance?
- What fees, payments, and post-resolution duties should I expect?

17 Plain-English glossary

Assessment	The IRS’s formal recording of tax, penalty, or interest owed.
CSED	Collection Statute Expiration Date—the date the IRS collection period generally ends for a specific assessment, subject to suspension or extension.
CNC	Currently Not Collectible status based on inability to pay without hardship.
Collection Financial Standards	IRS expense guidelines used in collection analysis.
IA	Installment Agreement—a monthly payment arrangement.
NFTL	Notice of Federal Tax Lien—the public filing that alerts creditors to the government’s claim.
OIC	Offer in Compromise—a qualifying agreement to settle liabilities for less than full payment.
RCP	Reasonable Collection Potential—an IRS measure commonly used in collectibility offers.
SFR	Substitute for Return—a return the IRS may prepare when a taxpayer does not file.
Tax levy	Legal seizure of property or rights to property to satisfy tax debt.
TFRP	Trust Fund Recovery Penalty—potential personal liability for responsible persons connected to unpaid trust fund taxes.
Tolling	A pause or extension of a statutory time period caused by a legally specified event.

18 Official resources and important disclosures

Rules, forms, user fees, standards, and procedures change. This guide was reviewed against official information available August 5, 2026. Confirm current requirements before acting.

Primary official sources

IRS Payment Plans	irs.gov/payments/payment-plans-installment-agreements
IRS Simple Payment Plans	irs.gov/payments/simple-payment-plans-for-individuals-and-businesses
IRS Offer in Compromise	irs.gov/payments/offer-in-compromise
Form 656-B Booklet	irs.gov/forms-pubs/about-form-656
IRS Temporarily Delay Collection	irs.gov/businesses/small-businesses-self-employed/temporarily-delay-the-collection-process
IRS Collection Financial Standards	irs.gov/businesses/small-businesses-self-employed/collection-financial-standards
IRS Penalty Relief / 2026 AEP announcement	irs.gov/newsroom/irs-simplifies-penalty-relief-introduces-automatic-process-for-eligible-taxpayers
IRS Time to Collect Tax	irs.gov/filing/time-irs-can-collect-tax
Taxpayer Advocate Service	taxpayeradvocate.irs.gov

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This guide provides general educational information and does not create an attorney-client relationship. It is not a substitute for legal, tax, accounting, bankruptcy, or financial advice tailored to your circumstances. Program eligibility and outcomes depend on facts, law, IRS discretion, documentation, compliance, and procedural posture. No result is guaranteed.

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