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Tax Regs in Plain English

# IRS Restructuring and Reform Act of 1998

## 3432 - Release of Levy upon Agreement that Amount is Uncollectible

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### Section 3432

**A. Provision covered:** Section 3432 (Release of Levy upon Agreement that Amount is Uncollectible) I.R.C. § 6343(e).

**B. Background:** I.R.C. § 6343(a)(1)(D) requires that a levy be released if the Service determines that the levy is creating an economic hardship due to the financial condition of the taxpayer. Some taxpayers contended that the Service was not immediately releasing wage levies upon agreement that the levy was creating an economic hardship. They claimed that the Service was not releasing levies in such cases until the Service had collected at least one wage payment under its levy. Congress believes that the Service should promptly release wage levies once the Service has determined that the amount is uncollectible because the taxpayer is unable to pay.

**C. Changes:** This provision adds a new I.R.C. § 6343(e) to provide that the Service must release a wage levy, as soon as practicable, upon agreement with the taxpayer that the tax is not collectible. Examples would include situations where the wage levy is creating an economic hardship on the taxpayer and situations where the levy does not yield any net proceeds to the Service following the calculation of the taxpayer's exempt amount under I.R.C. § 6334(d)(2).

**D. Impact** The provision is effective with respect to levies imposed after December 31,

1999.

## E. Necessary Actions

1. **Actions/Procedures:** Instructions by memorandum or IRM revision must be issued before the effective date. Draft publications and regulations which deal with levies on wages and releases of such levies.
2. **Things we CAN do:** Issue and maintain wage levies which do not create an economic hardship on the taxpayer and which yield net proceeds to the Service.

## F. Other Special Comments: None.

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