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**Answers to actual problems and questions from Georgia consumers.  
Brought to you by the Georgia Department of Law's Consumer Protection Unit**

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*Dear Consumer Ed:*

*I worked as an independent contractor the last two years while my wife was unemployed. During that time I did not file my taxes because we needed the money to make ends meet. Now we owe the IRS and the Georgia Department of Revenue a total of \$18,500 for back taxes and penalties. We have no way to come up with that kind of money. I have heard ads for tax resolution companies that say they can help reduce your tax debt, but I'm not sure if they are legitimate or not. Is this something we should pursue?*

**Consumer Ed says:**

*For this question, we consulted the Georgia Department of Revenue...*

You should investigate tax relief companies and the services they claim to provide carefully before signing up. Taxpayers looking for a tax service to resolve their tax debt can easily be taken advantage of by fraudulent companies. Some things to watch out for are tax relief companies that: promise that you will get relief from tax liabilities; request the entire fee for services upfront with no explanation of how services will be billed or whether a refund of unearned fees will be made; and promise that you "qualify" for a tax relief program to resolve your tax debt (only the IRS or the Georgia Department of Revenue can make that determination).

If you owe taxes, the worst thing you can do is nothing. The problem will not go away! Interest and penalties on back taxes will continue to accrue and the IRS may begin its collection process. Instead, carefully consider your payment options and take action.

There are several IRS tax relief programs to help, including the agency's Fresh Start initiative. 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 people in limited circumstances; taxpayers are eligible only after other payment options have been exhausted. Under its Fresh Start initiative, the IRS expanded the OIC program to cover a larger group of struggling taxpayers. However, the IRS will not accept an offer if it believes the liability can be paid in full as a lump sum or through an installment agreement. The IRS offers guidance on choosing a tax professional for an OIC on its website.

In very limited circumstances, the IRS may offer 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. Interest abatement is even more limited and rarely provided. While these programs may eliminate penalties or interest, you still owe the taxes. If a tax relief

company promises it can eliminate interest and/or penalties for you, be wary: there is limited relief available, no matter who represents you before IRS Collections.

According to the IRS, you can apply for an OIC or 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.

In addition to IRS relief, the Georgia Department of Revenue also offers several ways for taxpayers to address an outstanding tax liability.

Taxpayers may request all or a portion of their assessed penalties be considered for a [penalty waiver](#). Most penalty waiver requests are granted automatically and taxpayers typically receive a response to their request within 5 business days. To apply for a penalty waiver online, taxpayers must go through the Georgia Tax Center (GTC): [dor.georgia.gov/georgia-tax-center](http://dor.georgia.gov/georgia-tax-center).

If taxpayers have an outstanding tax liability that they cannot pay in full, they may enter into an installment payment agreement (IPA) at any time. The process is simple and over 99% of IPA requests are approved online automatically without having to deal with anyone at the DOR. To learn more about IPAs and how to enter into an agreement, visit [dor.georgia.gov/payment-agreements](http://dor.georgia.gov/payment-agreements).

Georgia taxpayers may qualify for a Georgia Offer in Compromise, which lets you settle an outstanding state tax debt for less than the full amount that you owe. According to the Georgia Department of Revenue's (GDOR) Offer in Compromise Booklet, you can apply if: you are not able to pay the taxes you owe in full even by selling assets or through an installment agreement; a legitimate doubt exists that you owe part or all of your assessed tax debt; or special circumstances exist that would make full payment of the taxes owed an economic hardship. However, you can only apply if you have filed all required tax returns and reports; you have received a final notice of assessment for all Georgia state taxes that you owe; and you are not the subject of an open or active bankruptcy case. For more information, visit the GDOR Offer in Compromise webpage at [dor.georgia.gov/offer-compromise](http://dor.georgia.gov/offer-compromise).

You should fully research your available options and be wary of companies making promises about assisting you with these programs. If you believe you have been misled or taken advantage of by a fraudulent tax relief company, you should consider filing a complaint with the Georgia Department of Law's Consumer Protection Unit by visiting [www.consumer.ga.gov](http://www.consumer.ga.gov), or by calling 404-651-8600.

***Got a question for Consumer Ed? Go to [ConsumerEd.com](http://ConsumerEd.com) to submit your question and read additional consumer tips. Remember...we do not give legal advice. Always consult a lawyer about legal issues.***