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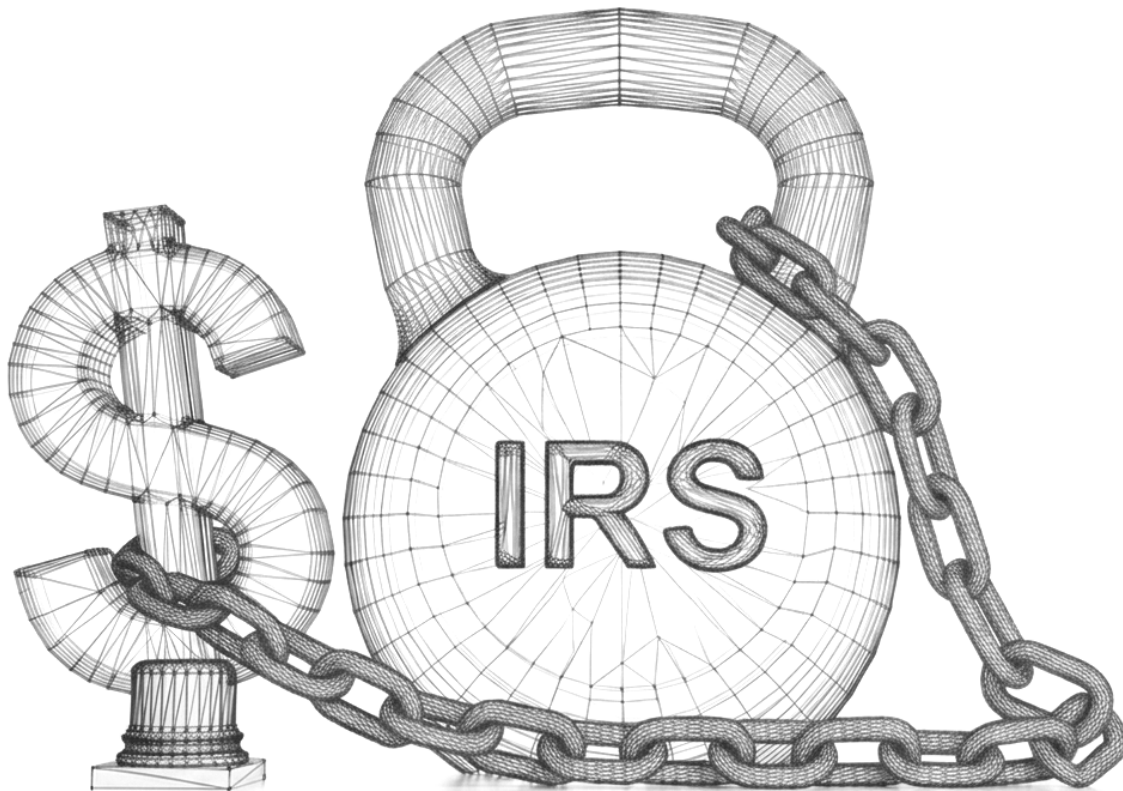
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U.S. FEDERAL TAX DEBT RESOLUTION REMEDIES

COMPREHENSIVE LEGAL GUIDE

Offer in Compromise | Lien Withdrawal | Levy Release | Wage Garnishment Removal
Collection Procedure | Financial Disclosure | Administrative Appeals | Statutory Relief



2026 | Revised Edition

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ABSTRACT

This Guide treats the four principal administrative remedies available to the delinquent federal taxpayer as a single, integrated subject organized in four logical Parts, each anchored to one remedy but built upon a common statutory architecture — assessment, notice and demand, the statutory lien of I.R.C. § 6321, the levy power of I.R.C. § 6331, and the ten-year collection limitations period of I.R.C. § 6502 — that Section 1 supplies at the outset. Part I addresses the offer in compromise under I.R.C. § 7122: the three statutory grounds (doubt as to collectibility, doubt as to liability, and effective tax administration), the computation of reasonable collection potential from net realizable equity and future income under the national and local expense standards, the TIPRA payment architecture of lump-sum and periodic offers, the 24-month deemed-acceptance rule of § 7122(f), appeals on Form 13711, and the five-year post-acceptance compliance covenant. Part II addresses the federal tax lien and the withdrawal remedy: the creation and reach of the secret lien under §§ 6321–6322, the priority function of the filed notice under § 6323, the four withdrawal grounds of § 6323(j) and the Fresh Start direct-debit pathway, and the related certificates of release, discharge, and subordination under § 6325, together with the collection due process and Collection Appeals Program channels that police them. Part III addresses levy release: the levy power and its procedural prerequisites, the exempt-property catalogue of § 6334, the 21-day bank holding period of § 6332(c), the five mandatory release grounds of § 6343(a)(1) — with deliberate emphasis on the economic-hardship standard of Treas. Reg. § 301.6343-1(b)(4) and its application in *Vinatieri v. Commissioner* — and the wrongful-levy and return-of-property remedies. Part IV addresses wage garnishment removal, distinguishing the continuous IRS wage levy of § 6331(e) and its Publication 1494 exempt-amount arithmetic from the judgment-creditor garnishment governed by the Consumer Credit Protection Act and state procedure, and cataloguing the administrative pathways — installment agreements, currently-not-collectible status, hardship release, collection due process, spousal relief, and bankruptcy — by which the paycheck is restored. Two closing syntheses supply worked operational examples and a diagnostic checklist that sequences the four Parts as they present in practice.

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PART I — THE OFFER IN COMPROMISE

This first Part addresses the most comprehensive of the four administrative remedies treated in this Guide: the offer in compromise, by which the federal government agrees to accept less than the full amount of an assessed tax liability in final settlement of that liability. The offer in compromise is the only remedy in this Guide that extinguishes the underlying debt; the lien withdrawal, levy release, and wage garnishment remedies treated in Parts II through IV operate upon the government's collection devices while leaving the liability itself intact. Because the compromise authority sits atop the entire federal assessment-and-collection architecture, Section 1 first supplies the foundational vocabulary — assessment, notice and demand, the statutory lien, and the ten-year collection limitations period — that recurs throughout all four Parts, before turning to the statutory grounds on which a compromise may be predicated. Section 2 treats the analytical heart of the program, the computation of reasonable collection potential, and Section 3 addresses procedure, payment architecture, appeals, and the post-acceptance compliance regime.

Section 1. Statutory Foundations and Grounds for Compromise

1.1 The Assessment-and-Collection Architecture: Vocabulary for All Four Remedies

Every remedy in this Guide operates against the same statutory machine, and the machine must be understood before any of its pressure-release valves can be located. Federal tax collection begins with **assessment** — the formal recording of the liability on the books of the Service under I.R.C. § 6201 — followed by **notice and demand** for payment under I.R.C. § 6303, which must generally be given within 60 days of assessment. If the taxpayer neglects or refuses to pay after notice and demand, two consequences follow automatically and without any further administrative act: first, a lien in favor of the United States arises under I.R.C. § 6321 upon all property and rights to property belonging to the taxpayer, relating back to the date of assessment under I.R.C. § 6322 (the subject of Part II); and second, the Service acquires the power to collect the liability by levy upon the taxpayer's property under I.R.C. § 6331 (the subject of Parts III and IV).

The entire structure is bounded in time by the **collection statute expiration date**, or CSED. Under I.R.C. § 6502, the Service generally has ten years from the date of assessment to collect by levy or by proceeding in court. The ten-year period is suspended — “tolled” — by a series of events enumerated principally in I.R.C. §§ 6503 and 6331(i) and (k), including the pendency of a bankruptcy proceeding (plus six months), the pendency of a collection due process hearing, the period during which an installment agreement request or an offer in compromise is pending (plus, in the case of an offer, 30 days following rejection and any period during which a timely appeal is being considered), and periods during which the taxpayer resides outside the United States for a continuous period of at least six months. The CSED is the silent actor in every negotiation with the Service: each remedy in this Guide either runs the clock, stops the clock, or trades a clock suspension for forbearance, and competent representation always begins with a transcript analysis that fixes the CSED for each assessed module.

1.2 The Compromise Authority of I.R.C. § 7122

Section 7122(a) of the Internal Revenue Code authorizes the Secretary to compromise any civil or criminal case arising under the internal revenue laws prior to reference to the Department of Justice. The authority is ancient — it descends from the Revenue Act of 1862 — but the modern program is a creature of the regulations at Treas. Reg. § 301.7122-1, of the procedural overlay added by the IRS Restructuring and Reform Act of 1998 and the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”), and of the administrative guidance collected in Part 5.8 of the Internal Revenue Manual. An accepted offer is contractual

in nature: it is construed under ordinary contract principles, it conclusively settles the liability of the taxpayer for the periods compromised, and — as Section 3.4 explains — it binds the taxpayer to a five-year regime of prospective compliance, breach of which permits the Service to reinstate the full liability less payments made.

Treas. Reg. § 301.7122-1(b) recognizes three exclusive grounds for compromise, and every offer must be referable to at least one of them. The three grounds answer different questions, are supported by different forms, and fail for different reasons; conflating them is the most common error in self-prepared offers.

Table 1.2-1 — The Three Statutory Grounds for Compromise

Ground	Operative question	Forms and practical notes
Doubt as to collectibility (DATC)	Could the Service ever collect the full liability from the taxpayer's assets and future income within the collection period? An offer is acceptable where the amount offered equals or exceeds reasonable collection potential (Section 2).	Form 656 with Form 433-A (OIC) and/or 433-B (OIC); \$205 application fee and initial payment unless the low-income certification applies. The dominant ground in practice.
Doubt as to liability (DATL)	Is there a genuine dispute as to the existence or amount of the correct tax liability under the law? Not available where the liability was established by a final court decision.	Form 656-L with a written statement of the grounds for doubt; no application fee and no financial disclosure. Offer amount reflects litigation hazards, not collectibility.
Effective tax administration (ETA)	The liability is correct and fully collectible, but collection in full would either cause economic hardship (Treas. Reg. § 301.6343-1) or be unfair and inequitable due to exceptional circumstances, and compromise would not undermine general compliance.	Form 656 with full financial disclosure; reserved for compelling equity or hardship cases — chronic illness, exhaustion of assets on medical care, demonstrated reliance on erroneous Service advice.

1.3 Eligibility, Processability, and the Pre-Qualification Screen

Before the merits of an offer are ever reached, the submission must survive a processability screen, and an offer returned as non-processable confers none of the protections — levy forbearance, CSED treatment, deemed-acceptance rights — that attach to a pending offer. The principal processability requirements are these: (i) the taxpayer must have **filed all tax returns** he or she is legally required to file, and must have received a bill for at least one tax debt included on the offer; (ii) the taxpayer must be current on **required estimated tax payments** for the present year and, if a business owner with employees, on federal tax deposits for the current and two preceding quarters; (iii) the taxpayer must not be a debtor in an **open bankruptcy proceeding**, because the compromise of claims against a bankruptcy estate is the province of the bankruptcy court; and (iv) the required fee and initial payment must accompany the offer unless waived. The Service publishes an online Offer in Compromise Pre-Qualifier tool that applies these screens and produces a preliminary offer computation, and individual taxpayers may now check eligibility, make the required payments, and submit the offer itself through an IRS Individual Online Account.

Two consequences of a *pending* offer deserve emphasis because they shape strategy across this entire Guide. First, under I.R.C. § 6331(k), the Service may not levy upon the taxpayer's property while an offer is pending, for 30 days after rejection, and while a timely appeal of a rejection is pending; a levy already in place when the offer is submitted need not be released automatically, but release may be requested and is frequently granted where the levy was served close in time to the submission (Part III treats the release

standards). Second, the same pendency periods suspend the running of the CSED — which is precisely why a thinly supported offer filed late in the collection period can be a strategic error, purchasing forbearance at the price of a longer collection horizon.

Section 2. Reasonable Collection Potential and Financial Disclosure

2.1 The RCP Formula

Doubt-as-to-collectibility offers are evaluated against a single analytic benchmark: **reasonable collection potential**, or RCP. The Service will generally accept an offer that equals or exceeds RCP and will generally reject an offer below it, because acceptance of less than RCP would yield the government less than it could collect by enforced collection. RCP is the sum of two components: the **net realizable equity** in the taxpayer's assets, plus a multiple of the taxpayer's **future remaining monthly income**. Each component has its own internal arithmetic.

Net realizable equity begins with the quick-sale value of each asset — by administrative convention, 80 percent of fair market value — reduced by the balance of any loan secured by the asset. Certain assets receive special treatment: a modest equity allowance is disregarded for vehicles used for work or the production of income and for an individual taxpayer's furniture and personal effects; income-producing assets essential to a going business are generally valued through the income they produce rather than counted twice; and assets that the taxpayer **dissipated** — transferred for less than full value or spent on non-priority items after the liability arose or with knowledge of it — may be added back into RCP as if still owned. Retirement accounts are includible at their net-of-tax, net-of-penalty liquidation value, subject to nuanced treatment where the taxpayer is at or near retirement and the account is the source of necessary living expenses.

Future remaining monthly income is gross monthly income less **allowable living expenses**, computed not from the taxpayer's actual spending but from the national and local standards the Service publishes: national standards for food, clothing, and miscellaneous items and for out-of-pocket health care; local standards, by county, for housing and utilities; and regional standards for vehicle ownership and operating costs. Actual expenses above the standards are allowed only where the taxpayer proves they are necessary for health and welfare or the production of income — a proof burden that dominates most offer negotiations. The resulting monthly figure is then multiplied by the factor fixed by the TIPRA payment-option rules summarized in Table 2.1-1.

Table 2.1-1 — RCP Components and the Future-Income Multiplier

Component	Computation	Notes
Net realizable equity	Quick-sale value (generally 80% of fair market value) less secured debt, asset by asset.	Allowances for one work vehicle per earner and for furniture/personal effects; dissipated assets added back; retirement assets net of tax and penalty.
Future income — lump-sum offer	(Gross monthly income – allowable living expenses) × 12 .	Applies where the offer will be paid in 5 or fewer installments within 5 months of acceptance.
Future income — periodic-payment offer	(Gross monthly income – allowable living expenses) × 24 .	Applies where the offer will be paid in 6 to 24 monthly installments; total payment window may not extend beyond 24 months from submission.
Ceiling principle	RCP computed over the remaining collection period.	Where the CSED is near, RCP cannot exceed what monthly collection could yield before expiration — short CSEDs depress RCP.

2.2 The Collection Information Statements: Forms 433-A (OIC) and 433-B (OIC)

The evidentiary vehicle for the RCP computation is the collection information statement: Form 433-A (OIC) for wage earners and self-employed individuals, and Form 433-B (OIC) for corporations, partnerships, and other entities. The forms demand a complete inventory of bank and investment accounts, digital assets, real property, vehicles, life insurance with cash value, retirement plans, accounts receivable, and business assets, together with three months of substantiation — bank statements, pay stubs, profit-and-loss statements — for every income and expense entry. The statements are signed under penalties of perjury, and material omissions have three distinct consequences: they support return or rejection of the offer; they may void an accepted offer obtained by concealment under the contract principles noted in Section 1.2; and, in aggravated cases, they expose the taxpayer to criminal liability under I.R.C. § 7206. The offer examiner verifies the disclosure against internal sources — information-return transcripts, currency transaction reports, public records, and credit data — so the practitioner’s first task is reconciliation between the client’s narrative and the paper trail before the Service performs the same reconciliation adversarially.

2.3 Special Circumstances and the Hardship Overlay

The RCP formula is the rule, but it is not quite the whole rule. Form 656 permits the taxpayer who cannot pay the computed RCP to offer a lesser amount and to explain the **special circumstances** — advanced age, chronic illness, extraordinary dependent-care obligations, the imminent exhaustion of assets needed for basic living — that justify acceptance of less. Analytically this folds the effective-tax-administration hardship standard back into the doubt-as-to-collectibility framework: the examiner asks whether collection of the full RCP would leave the taxpayer unable to meet reasonable basic living expenses, applying the economic-hardship criteria of Treas. Reg. § 301.6343-1(b)(4) that also govern levy release (Section 8.2). Documentation discipline is decisive here; conclusory hardship narratives unsupported by medical records, care invoices, or actuarial reality are routinely disregarded.

Section 3. Offer Procedure, Payment Terms, and Post-Acceptance Compliance

3.1 Submission Mechanics, Fees, and TIPRA Payments

A processable doubt-as-to-collectibility or effective-tax-administration package consists of Form 656 (one for individual liabilities and a separate Form 656 for business-entity liabilities), the applicable collection information statement with substantiation, a **\$205 application fee**, and the TIPRA initial payment. Spouses who are divorced, legally separated, or living apart with separate liabilities must submit separate offers. The initial payment depends on the payment option elected: a **lump-sum cash offer** (payable in five or fewer installments within five months of acceptance) requires 20 percent of the offer amount with the submission; a **periodic-payment offer** (6 to 24 monthly installments) requires the first proposed installment with the submission and continued monthly installments while the offer is under consideration. Fee and payments are non-refundable in the sense that, if the offer is rejected, amounts paid are applied to the underlying liability rather than returned — although if the offer cannot be *processed* at all, the application fee is returned.

Both the fee and all pre-acceptance payments are waived for taxpayers who satisfy the **low-income certification** of Form 656, which is keyed to household income at or below 250 percent of the federal poverty guidelines for the taxpayer's family size; the Taxpayer First Act of 2019 codified the waiver at I.R.C. § 7122(c)(3). A certified low-income taxpayer makes no payments of any kind until the offer is accepted.

Table 3.1-1 — Lump-Sum and Periodic-Payment Offers Compared

Feature	Lump-sum cash offer	Periodic-payment offer
Payment window	5 or fewer installments within 5 months of acceptance.	6 to 24 monthly installments; window runs from submission.
Required with submission	20% of offer amount plus \$205 fee.	First monthly installment plus \$205 fee; installments continue during consideration.
Future-income multiplier	12 months of remaining monthly income.	24 months of remaining monthly income.
Failure to pay during review	Not applicable.	Missed installments permit the Service to return the offer without appeal rights.
Typical fit	Taxpayers with access to a third-party lump sum (family loan, asset sale).	Taxpayers funding the offer from monthly cash flow.

3.2 Consideration, the 24-Month Deemed Acceptance Rule, and Appeals

A submitted offer is assigned to a centralized offer unit or, for larger or more complex cases, to a field offer specialist, who verifies processability, performs the RCP analysis, requests supplemental substantiation, and either recommends acceptance, proposes an amended (higher) offer amount, or issues a rejection. Three procedural rules discipline this process. First, under I.R.C. § 7122(f), an offer not rejected within **24 months** of submission is *deemed accepted by operation of law* — a TIPRA innovation that prevents indefinite administrative limbo (periods during which a liability included in the offer is in dispute in a judicial proceeding are excluded). Second, a rejection must be independently reviewed before issuance, and the taxpayer must be given the RCP computations on which it rests. Third, the taxpayer may administratively appeal a rejection within 30 days using Form 13711, Request for Appeal of Offer in Compromise, and the Independent Office of Appeals reviews both the financial analysis and any special-circumstances claim *de novo* as a practical matter. A *returned* offer — for non-processability, for failure to supply requested information, or for missed periodic payments — carries no appeal right, which is why responsiveness during consideration is not optional.

Where the offer is filed in the course of a collection due process hearing under I.R.C. § 6330 (Section 7.3), rejection of the offer as a proposed collection alternative is reviewable in the United States Tax Court for abuse of discretion — the only judicial check on the offer program, since there is otherwise no right to court review of a rejected offer.

3.3 Effects of Acceptance: Liens, Refunds, and Public Inspection

Acceptance converts the offer into a binding settlement. Upon payment of the full offer amount, the Service releases all notices of federal tax lien filed with respect to the compromised periods — release, not the more advantageous withdrawal, although a post-release withdrawal request remains available on the terms discussed in Section 5.4. As to refunds, the historic rule permitted the Service to keep (“recoup”) any refund attributable to the calendar year in which the offer was accepted; under a policy change effective for offers accepted on or after November 1, 2021, the Service no longer recoups the acceptance-year refund, though refunds for pre-acceptance years remain subject to offset and a taxpayer in hardship may pursue an offset bypass refund. Finally, I.R.C. § 6103(k)(1) makes accepted offers matters of public record open to inspection for one year in the Service's public reading rooms — a disclosure consequence that occasionally matters to clients in regulated occupations.

3.4 The Five-Year Compliance Covenant and Default

Every accepted offer contains a prospective covenant: for **five years** following acceptance (or until the offer amount is fully paid, if longer), the taxpayer must timely file all required federal returns and timely pay all federal tax shown due. Breach is default, and the consequences are draconian by design — the compromise may be terminated, the full original liability (less payments made) reinstated with interest, and enforced collection resumed without the procedural prologue that preceded the offer. The five-year covenant is therefore the controlling fact of post-offer tax life: withholding must be corrected, estimated payments calendared, and any new balance due addressed within the year it arises. Practitioners should also note that the offer's contractual character cuts both ways; the Service, too, is bound, and an attempt to collect compromised liabilities absent default is remediable through the Taxpayer Advocate Service and, ultimately, through suit.

PART II — FEDERAL TAX LIENS AND LIEN WITHDRAWAL

Part II turns from the compromise of the liability itself to the government's security interest. The federal tax lien is the most misunderstood instrument in the collection arsenal: it takes no property, sells nothing, and garnishes no wages, yet it silently encumbers everything the taxpayer owns and everything the taxpayer will acquire, and its public filing was historically the single most damaging collection event for a taxpayer's access to credit. Section 4 explains how the lien arises, what it reaches, and how the notice of federal tax lien converts a secret lien into a recorded one. Section 5 treats the withdrawal remedy of I.R.C. § 6323(j) — the remedy advertised on the consumer-facing materials that prompted this Guide — under which the public notice is expunged as if never filed. Section 6 situates withdrawal among its siblings: release, discharge, subordination, and the appeal procedures that police all of them.

Section 4. Creation, Scope, and Priority of the Federal Tax Lien

4.1 *The Statutory (“Secret”) Lien: I.R.C. §§ 6321 and 6322*

If any person liable to pay any tax neglects or refuses to pay after demand, I.R.C. § 6321 imposes a lien in favor of the United States upon “all property and rights to property, whether real or personal, belonging to such person.” Three features give the lien its extraordinary reach. First, it arises **automatically** upon the concurrence of assessment, notice and demand, and nonpayment — no filing, recording, or judicial act is required, which is why it is called the secret or statutory lien. Second, under § 6322 it **relates back** to the date of assessment and continues until the liability is satisfied or becomes unenforceable by lapse of time (the CSED of Section 1.1). Third, its scope is defined by the broadest property formula in federal law: it attaches to after-acquired property, to intangible rights, to the taxpayer's interest in entireties property notwithstanding contrary state exemption law, and — as the Supreme Court held in *United States v. Craft*, 535 U.S. 274 (2002) — state law determines what rights the taxpayer has in property, but federal law determines whether those rights are “property” to which the lien attaches.

4.2 *The Notice of Federal Tax Lien: I.R.C. § 6323 and Form 668(Y)*

The secret lien is fully effective against the taxpayer, but it is not effective against the four classes of competing claimants protected by I.R.C. § 6323(a) — purchasers, holders of security interests, mechanic's lienors, and judgment lien creditors — until the Service files a **notice of federal tax lien** (NFTL), Form 668(Y), in the office designated by state law: for real property, where the property is located, and for personal property, where the taxpayer resides at filing. Filing the NFTL is thus a priority device, not a creation device; the lien exists with or without it. Filing also carries a procedural consequence: within five business days, the Service must notify the taxpayer of the filing and of the right to a collection due process hearing under I.R.C. § 6320, requested on Form 12153 within 30 days after that five-day window — a hearing in which lien withdrawal, discharge, subordination, and collection alternatives such as installment agreements and offers in compromise may all be proposed, with Tax Court review of the determination.

Internal administrative thresholds govern when the Service files at all. The Fresh Start initiative raised the ordinary NFTL filing floor to \$10,000 of aggregate unpaid balance, and current Internal Revenue Manual guidance generally calls for filing determinations rather than automatic filings below higher dollar bands; taxpayers entering streamlined installment agreements (Section 11.2) ordinarily avoid filing altogether. Since 2018, the three national consumer credit bureaus no longer include tax liens on consumer credit reports at all

— but the NFTL remains a public record that lenders, title companies, and specialty screening products retrieve directly, so its practical sting survives its disappearance from credit scores.

Table 4.2-1 — The Statutory Lien and the Filed NFTL Compared

Attribute	Statutory lien (§§ 6321–6322)	Filed NFTL (§ 6323; Form 668(Y))
Creation	Automatic upon assessment, notice and demand, and nonpayment.	Discretionary administrative filing in the state-designated office.
Effect against taxpayer	Fully effective; attaches to all present and after-acquired property.	Adds nothing as against the taxpayer.
Effect against third parties	Junior to later purchasers, secured parties, mechanic's lienors, judgment creditors.	Establishes priority against the four § 6323(a) classes from filing; § 6323(b) superpriorities still prevail.
Duration	Until satisfaction or CSED expiration.	Self-releasing: Form 668(Y) operates as a certificate of release if not refiled by the refile deadline.
Taxpayer remedies	Pay, compromise, or await CSED.	CDP hearing (§ 6320), CAP appeal, withdrawal (§ 6323(j)), release, discharge, subordination (§ 6325).

4.3 Superpriorities and the Limits of the Filed Lien

Even a filed NFTL yields to the ten “superpriority” classes of I.R.C. § 6323(b) — among them purchasers of securities and motor vehicles without actual knowledge, retail purchasers in the ordinary course, holders of certain possessory liens for repairs, and attorneys' liens on judgments — and to the post-filing financing protections of § 6323(c) and (d) for certain commercial financing agreements and 45-day future advances. The practitioner's point is that the lien system is a priority lattice, not a wall: a taxpayer's inability to sell, refinance, or borrow is usually a function of the *recorded notice* rather than of the underlying lien's legal invincibility, which is precisely why the withdrawal remedy of Section 5 — which removes the record — is so frequently the most valuable item on the menu.

Section 5. The Withdrawal Remedy of I.R.C. § 6323(j)

5.1 What Withdrawal Is — and How It Differs from Release

A **withdrawal** removes the notice of federal tax lien from the public record and, by the express terms of § 6323(j)(1), the withdrawn notice is treated “as if the notice had not been filed.” The Service issues Form 10916(c), Withdrawal of Filed Notice of Federal Tax Lien, files it in the same office as the original NFTL, and, at the taxpayer's written request, sends copies to creditors, credit reporting agencies, and financial institutions designated by the taxpayer. A **release** under I.R.C. § 6325(a), by contrast, merely extinguishes the lien prospectively — the public record continues to show that a lien was filed and later released. Because withdrawal retroactively erases the filing event itself, it is categorically the superior remedy for any taxpayer whose objective is clean title work, lender underwriting, security-clearance review, or professional licensure. Withdrawal, however, affects only the *notice*: unless the liability has been satisfied, the secret lien of § 6321 survives a withdrawal and continues to attach to the taxpayer's property.

5.2 The Four Statutory Grounds

Section 6323(j)(1) authorizes withdrawal on four alternative grounds, each with its own evidentiary profile. The request is made on **Form 12277**, Application for Withdrawal of Filed Form 668(Y), which requires the taxpayer to identify the ground relied upon and to attach substantiation.

Table 5.2-1 — Grounds for Withdrawal Under § 6323(j)(1)

Ground	Statutory standard	Typical proof
(A) Premature or non-conforming filing	The filing was premature or otherwise not in accordance with administrative procedures — e.g., filed during a CDP suspension, a pending installment-agreement request, an offer's pendency, or a bankruptcy stay.	Transcripts showing the protected status on the filing date; copies of the offending notice.
(B) Installment agreement	The taxpayer has entered an installment agreement to satisfy the liability, and the agreement does not provide otherwise.	The agreement itself; for the Fresh Start direct-debit pathway, see Section 5.3.
(C) Facilitates collection	Withdrawal will facilitate collection of the tax — the notice itself is blocking the refinance, sale, employment, or financing that would generate the money to pay.	Lender letters, escrow instructions, employment-contingency documentation tying funds to withdrawal.
(D) Best interests / Taxpayer Advocate	Withdrawal would be in the best interests of the taxpayer (as determined by the National Taxpayer Advocate or with the taxpayer's consent) and of the United States.	TAS involvement via Form 911 or a reasoned best-interests memorandum; the residual equitable ground.

5.3 The Fresh Start Direct-Debit Pathway

Under the Fresh Start expansion announced in 2011 and carried into current Internal Revenue Manual procedure, the Service will ordinarily grant a ground-(B) withdrawal to an individual (and to certain business taxpayers owing only income tax) where five conditions concur: (i) the aggregate assessed balance is **\$25,000 or less** (paydown to reach the threshold is permitted); (ii) the taxpayer is in a **direct debit installment agreement** that will fully pay the liability within 60 months or before the CSED, whichever comes first; (iii) at least **three consecutive direct-debit payments** have been made; (iv) the taxpayer is in full filing and payment compliance; and (v) the taxpayer has not defaulted the current or any prior direct-debit agreement. The conversion of an ordinary installment agreement to direct debit purely to capture this pathway is both permitted and routine, and it is the single highest-yield maneuver in consumer lien practice: a compliant taxpayer trades an auto-drafted payment plan for the retroactive erasure of the public filing.

5.4 Withdrawal After Release and After an Accepted Offer

Since 2011 the Service has also entertained Form 12277 requests to withdraw a notice **after the lien has been released** — including releases following full payment and releases following completion of an accepted offer in compromise (Section 3.3) — where the taxpayer is in compliance with filing requirements for the preceding three years and current on payments. Because the underlying lien no longer exists in these cases, the request presents no collection risk to the government, and the post-release withdrawal has become the standard closing step of a successful resolution engagement: resolve the liability, obtain the Form 668(Z) release, then convert the release into a withdrawal so the record reads as though no filing ever occurred. Denials of withdrawal requests are appealable through the Collection Appeals Program described in Section 6.3.

Section 6. Related Lien Remedies: Release, Discharge, Subordination, and Appeals

6.1 Release (§ 6325(a)) and the Self-Releasing Notice

The Service must issue a certificate of release, Form 668(Z), not later than 30 days after the liability becomes fully satisfied or legally unenforceable, or after a bond is accepted. Two operational details matter. First, the modern Form 668(Y) is **self-releasing**: it states on its face that it operates as a certificate of release if the Service fails to timely refile, so a lapsed refile deadline extinguishes the notice automatically — a point title examiners apply daily. Second, where the CSED has expired, the lien is unenforceable by lapse of time and release is a matter of right; the practitioner's task is a transcript-based CSED computation (accounting for every tolling event in Section 1.1) followed, if necessary, by a demand to the Centralized Lien Operation and a CAP appeal of any refusal.

6.2 Discharge (§ 6325(b)) and Subordination (§ 6325(d))

Withdrawal and release operate on the lien or its notice globally; **discharge** and **subordination** operate transactionally. A certificate of discharge under § 6325(b), requested on **Form 14135**, removes a *specific parcel of property* from the lien — typically so a sale can close — where the taxpayer's remaining property is worth at least double the liability plus senior encumbrances, where the government is paid an amount equal to its interest in the discharged property, or where the government's interest in it is valueless. A certificate of subordination under § 6325(d), requested on **Form 14134**, does not remove the lien but consents to its junior rank behind a new or refinanced security interest, where the subordination either produces payment equal to the amount subordinated or, more commonly, increases the amount ultimately collectible — the standard instrument for a rate-reducing refinance whose savings will be devoted to the tax debt. Both certificates are processed by Advisory under Publications 783 and 784 timelines, and both should be filed at least 45 days before any scheduled closing.

Table 6.2-1 — The Lien-Remedy Menu Compared

Remedy	Statute / form	What it does	When it fits
Withdrawal	§ 6323(j); Form 12277	Expunges the public notice as if never filed; secret lien survives unless paid.	Credit, title, licensure, employment; Fresh Start DDIA; post-release cleanup.
Release	§ 6325(a); Form 668(Z)	Extinguishes the lien; filing history remains of record.	Full payment, accepted offer completed, bond, or CSED expiration.
Discharge	§ 6325(b); Form 14135	Frees one identified property from the lien.	Sale of encumbered property where proceeds or remaining equity protect the government.
Subordination	§ 6325(d); Form 14134	Lets a new creditor take priority ahead of the lien.	Refinance or working-capital loan that improves collectibility.

6.3 Appeals: CDP Under § 6320 and the Collection Appeals Program

Two appeal channels police lien administration. The **collection due process** hearing of § 6320, available once per tax period upon the first NFTL filing, offers the broadest relief — withdrawal, collection alternatives, spousal defenses, and (where the taxpayer had no prior opportunity) challenges to the underlying liability — and concludes in a notice of determination reviewable by the Tax Court; a request filed after the 30-day window yields an “equivalent hearing” without judicial review. The **Collection Appeals Program** (CAP), invoked on Form 9423 after a managerial conference, is faster and broader in subject matter — it reaches NFTL filings, denials of withdrawal, discharge, and subordination, levies, and installment-agreement terminations — but narrower in consequence: CAP decisions are final, bind both sides administratively, and

carry no right to court review and no liability challenge. The conventional sequencing is CDP where available and time permits, CAP where speed or subject matter requires it.

PART III — LEVY RELEASE

Where Part II concerned the government's security, Part III concerns its sword. The levy is the administrative seizure power of I.R.C. § 6331 — the authority to take property, freeze and sweep bank accounts, and intercept payments due the taxpayer, all without judicial process. Because a levy on a bank account or other account routinely creates an immediate economic crisis, Congress and the regulations have built a dense lattice of procedural prerequisites that must precede a levy and of mandatory and discretionary grounds on which a levy, once made, must or may be released. Section 7 maps the levy power and the notice architecture that precedes it. Section 8 — the operational core of this Part — treats the release standards of I.R.C. § 6343, with particular attention to the economic-hardship ground that resolves most emergency engagements. Section 9 addresses wrongful levies, the return of levied property, and the procedural remedies that surround the levy power.

Section 7. The Levy Power and Its Procedural Prerequisites

7.1 *Scope of the Power: I.R.C. §§ 6331 and 6332*

Section 6331(a) authorizes collection by levy upon all property and rights to property belonging to the taxpayer (or on which the § 6321 lien exists), including salary and wages. A levy on a third party is served by notice — Form 668-A for banks and most account holders, Form 668-W for wages (Part IV) — and the third party who honors it is discharged from any obligation to the taxpayer under § 6332(e), while one who refuses without reasonable cause is personally liable for the value of the property plus a 50 percent penalty under § 6332(d). Two timing rules define the levy's reach. A levy is generally **instantaneous**: it seizes only property and obligations *existing when the levy is served*, so a bank levy captures the account balance at the moment of service and nothing deposited afterward — each later sweep requires a new levy. The exceptions are **continuous** levies: the wage levy of § 6331(e), which attaches to future salary and wages until released, and the 15 percent continuous levy on specified federal payments (including Social Security benefits) under § 6331(h) administered through the Federal Payment Levy Program, which rises to 100 percent for payments to federal vendors.

Banks are subject to a special rule of enormous practical importance: under § 6332(c), a bank must hold the levied funds for **21 days** after service before surrendering them. The 21-day window exists precisely to give the taxpayer time to demonstrate error, prove hardship, or negotiate a release before the money irrevocably leaves the account — it is the statutory grace period within which most emergency levy-release work is done.

7.2 *Property Exempt from Levy: I.R.C. § 6334*

Section 6334(a) enumerates the only categories of property exempt from levy — the list is exclusive, and § 6334(c) provides that no other property is exempt notwithstanding any other law. The exemptions include wearing apparel and school books; fuel, provisions, furniture, and personal effects up to an inflation-indexed ceiling; books and tools of the trade up to a separate indexed ceiling; unemployment benefits; undelivered mail; certain annuity and pension payments (including Railroad Retirement and military disability benefits); workers' compensation; judgments for the support of minor children; the minimum wage exemption for wages computed under § 6334(d) (the engine of Part IV); certain service-connected disability payments; and means-tested public assistance. Principal residences enjoy special procedural protection rather than exemption: under § 6334(e), the Service may not levy on the taxpayer's principal residence without the written approval of a federal district court judge or magistrate, and may not seize any real property used as a residence at all to satisfy a liability of \$5,000 or less.

7.3 The Notice Cascade and Collection Due Process: I.R.C. § 6330

No levy may issue until a sequence of statutory notices has run its course, and a levy that outruns the sequence is releasable on that ground alone (Table 5.2-1, ground (A), has its levy analogue here). The sequence is: notice and demand under § 6303; notice of intention to levy under § 6331(d) at least 30 days before levy (the CP504 series); and the **final notice of intent to levy and notice of your right to a hearing** under § 6330 — Letter 1058 or LT11 — at least 30 days before levy, sent in person, left at the dwelling, or mailed certified to the last known address. A Form 12153 hearing request within the 30 days suspends levy action (and the CSED) while the collection due process hearing proceeds before the Independent Office of Appeals, where the taxpayer may propose installment agreements, offers in compromise, currently-not-collectible status, and spousal defenses, and may obtain Tax Court review of the determination. Limited exceptions permit levy before or without the full cascade — jeopardy levies, levies on state tax refunds, federal contractor levies, and disqualified employment tax levies — but each carries a post-levy CDP right.

Table 7.3-1 — The Pre-Levy Notice Sequence

Step	Instrument and authority	Function
1. Notice and demand	CP14 and successors; § 6303.	Triggers the § 6321 lien and starts the enforcement clock; due within 60 days of assessment.
2. Intent to levy	CP504; § 6331(d).	30-day warning; authorizes levy on state tax refunds only.
3. Final notice / CDP rights	Letter 1058 or LT11; § 6330.	Mandatory 30-day window to request a CDP hearing on Form 12153; levy barred while timely hearing and any Tax Court review are pending.
4. Levy service	Form 668-A (accounts) / 668-W (wages); § 6331.	Bank holds funds 21 days (§ 6332(c)); wage levy continuous until released (§ 6331(e)).

Section 8. Mandatory and Discretionary Release: I.R.C. § 6343

8.1 The Five Mandatory Grounds of § 6343(a)(1)

Section 6343(a)(1) commands — “shall” — release of a levy upon any of five determinations, and Treas. Reg. § 301.6343-1 directs that release be prompt once a ground is established. The five grounds, summarized in Table 8.1-1, are the checklist against which every levied client should be screened in the first interview, because several of them are objective and require no negotiation at all. Release is effected by Form 668-D, Release of Levy/Release of Property from Levy, served on the levied party; a release may be full or partial, and § 6343(a)(1)(C) expressly contemplates conditional releases that facilitate an agreed payment arrangement. Release of a levy is not abatement of the debt — the liability, the lien, and the Service’s ability to levy again all survive — but § 6343(a)(2) provides that the levy-barred status of property entering an installment agreement continues for the life of the agreement except in narrow circumstances.

Table 8.1-1 — Mandatory Levy-Release Grounds Under § 6343(a)(1)

Ground	Operative content
(A) Liability satisfied or unenforceable	The liability is paid, abated, or the CSED has expired. Transcript-driven; release is a matter of right.
(B) Release facilitates collection	Releasing the levy will itself improve collection — e.g., freeing a contract receivable or business account whose operation generates the funds to pay.
(C) Installment agreement	The taxpayer has entered a § 6159 agreement covering the liability, unless the agreement provides otherwise or release would jeopardize secured-creditor status.
(D) Economic hardship	The levy is creating an economic hardship due to the financial condition of the taxpayer — the ground examined in Section 8.2.
(E) Exempt-amount / expense interference	The fair market value of the property exceeds the liability, and partial release would not hinder collection; companion rules protect wage amounts needed for current exempt income.

8.2 Economic Hardship: The § 6343(a)(1)(D) Standard

The hardship ground is the workhorse of emergency practice — it is the precise standard invoked by the consumer formulation “if the levy on your bank account or other account is creating an immediate economic hardship, the levy may be released.” Treas. Reg. § 301.6343-1(b)(4) defines economic hardship as the condition in which the levy will cause the taxpayer to be **unable to pay his or her reasonable basic living expenses**, determined on the particular circumstances — age, employment status, number of dependents, cost of living in the taxpayer's locality, medical condition and extraordinary medical expenses, and the amount reasonably necessary for food, clothing, housing, utilities, transportation, and current tax payments. The showing is documentary: a short-form collection information statement (Form 433-F or 433-A), the bills due within the levy period, proof of income, and a precise computation of the shortfall the levy creates. Two doctrinal points sharpen the standard. First, hardship release is **not conditioned on compliance**: in *Vinatieri v. Commissioner*, 133 T.C. 392 (2009), the Tax Court held that a levy must be released upon a hardship showing even where the taxpayer has unfiled returns, because § 6343(a)(1)(D)'s command is unqualified. Second, hardship is a *present-condition* inquiry — the question is what the levy does to the taxpayer's ability to meet basic expenses now, and the Service's own procedures direct expedited handling, including same-day fax release to banks within the 21-day window and to employers at any time.

8.3 Release Mechanics, Timing, and the 21-Day Window in Operation

Operationally, a bank-levy emergency proceeds on a fixed clock: the levy attaches on service; the bank freezes the balance; day 21 the funds are remitted. Within that window the practitioner (i) obtains the levy face and transcripts to verify the assessment, the notice cascade of Section 7.3, and the CSED; (ii) screens the five mandatory grounds; (iii) assembles the hardship package or proposes the collection alternative; and (iv) presses the assigned revenue officer or ACS unit for a faxed Form 668-D to the bank's levy department before remittance. Where the levied funds have already been remitted, the engagement shifts from release to **return** under § 6343(b) and (d), discussed in Section 9.2. Where the Service declines release, the refusal is immediately appealable through CAP (Form 9423) — one of the few collection decisions for which CAP review is available both before and after the levy proceeds are paid over — and the Taxpayer Advocate Service will accept hardship levy cases on Form 911 where normal channels are too slow, with authority to issue Taxpayer Assistance Orders directing release.

Section 9. Wrongful Levy, Return of Property, and Procedural Remedies

9.1 Wrongful Levy: Third-Party Property and § 7426

A levy is *wrongful* when it seizes property that does not belong to the taxpayer — the joint account funded entirely by a non-liable co-owner, the inventory titled in a separate entity, the spouse's separate wages. The exclusive judicial remedy for a third party is the wrongful-levy action of I.R.C. § 7426 in federal district court; the third party may also proceed administratively under § 6343(b), which authorizes the Service to return wrongfully levied property (or its money equivalent) upon request. The Tax Cuts and Jobs Act lengthened the limitations period for both tracks from nine months to **two years** from the date of levy (with the suit period extended further where a timely administrative claim is filed), curing the most notorious trap in the prior law. Interest is payable on returned money at the overpayment rate.

9.2 Return of Property to the Taxpayer: § 6343(d)

Distinct from the third-party wrongful levy, § 6343(d) permits the Service to return levied property *to the taxpayer himself* where the levy was premature or otherwise violated administrative procedure, where the taxpayer has entered an installment agreement covering the liability (unless the agreement provides otherwise), where return will facilitate collection, or where return would be in the best interests of the taxpayer (as determined by the National Taxpayer Advocate) and of the United States — a four-ground menu that deliberately mirrors the lien-withdrawal grounds of Table 5.2-1. The request must be made while the money is identifiable and within the same two-year period; the symmetry between § 6343(d) and § 6323(j) means that a collection event procured in violation of a CDP suspension, a pending offer, or a bankruptcy stay can ordinarily be unwound on both the lien and the levy side with parallel paperwork.

9.3 Selecting the Procedural Lane

Levy practice is ultimately lane-selection under time pressure, and the lanes differ in speed, scope, and finality. The CDP hearing (timely Form 12153) offers the only road to Tax Court but consumes months; the equivalent hearing preserves Appeals review without judicial recourse; CAP (Form 9423) typically produces a conference within days and reaches levy and seizure actions before or after they occur, at the price of administrative finality; TAS (Form 911) is the emergency-hardship channel with order-issuing authority; and managerial review — the unglamorous telephone escalation to the group manager that the Internal Revenue Manual itself prescribes — resolves a striking share of cases in hours. The diagnostic checklist in the Practitioner's Synthesis at the end of this Guide sequences these lanes against the 21-day bank clock and the per-payday wage clock of Part IV.

PART IV — WAGE GARNISHMENT REMOVAL

The final Part addresses the collection device the public knows best and understands least: the taking of wages at the source. Two legally distinct instruments travel under the consumer label “wage garnishment.” The first is the **IRS continuous wage levy** — an administrative seizure under I.R.C. § 6331(e), served on the employer without any court involvement, that captures everything above a modest exempt amount. The second is the **judgment-creditor garnishment** — the device described in the consumer formulation “a court judgment mandating that a portion of your income be divided to resolve a debt” — which is a creature of state procedure operating under the federal ceilings of the Consumer Credit Protection Act, and which state tax agencies replicate through their own administrative income executions. The removal strategies differ accordingly. Section 10 dissects the mechanics of both instruments and the arithmetic that determines how much of each paycheck survives. Section 11 catalogues the administrative pathways that terminate an IRS wage levy. Section 12 treats state-law garnishments, employer compliance obligations, and the sequencing of remedies where multiple instruments compete for the same paycheck.

Section 10. The Continuous Wage Levy and the Judgment Garnishment Distinguished

10.1 Form 668-W Mechanics and the Exempt-Amount Arithmetic

An IRS wage levy is served on the employer by Form 668-W, Notice of Levy on Wages, Salary, and Other Income. Unlike the instantaneous bank levy of Section 7.1, the wage levy is **continuous** under § 6331(e): it attaches to all wages and salary earned after service, payday after payday, until the Service issues Form 668-D releasing it, the liability is satisfied, or the CSED expires. The employer must deliver part of the form to the employee, who has **three working days** to return the Statement of Dependents and Filing Status; if the employee fails to return it, the employer must compute the exempt amount as though the employee were **married filing separately with zero dependents** — the harshest cell in the table, and a default that punishes inattention severely.

The arithmetic inverts the lay intuition. The Service does not take a percentage of the paycheck; it *leaves* a fixed exempt amount keyed under § 6334(d) to the standard deduction and a per-dependent figure, published each year in the pay-period tables of **Publication 1494**, and takes everything above it. For 2026, the exempt amount for a single taxpayer paid weekly with no dependents is \$309.62; a married-filing-jointly taxpayer paid biweekly with two dependents keeps \$1,646.16 per period; the statutory per-dependent amount under § 6334(d)(4)(B) is \$5,300 for the year. Everything above the table amount — whether that is 40 percent of the paycheck or 80 percent — is remitted to the Service. Because the exempt amount ignores the taxpayer's actual rent, car payment, and child-care costs, a continuous wage levy almost always produces the economic-hardship condition of Section 8.2, which is why hardship release is the leading removal pathway in Section 11.

Table 10.1-1 — IRS Wage Levy and Judgment-Creditor Garnishment Compared

Attribute	IRS continuous wage levy	Judgment-creditor garnishment
Source of authority	I.R.C. §§ 6331(e), 6334(d); Form 668-W; no court order required.	State-court judgment followed by state garnishment or income-execution procedure.
Amount taken	Everything above the Pub. 1494 exempt	Capped by CCPA § 303: lesser of 25% of

Attribute	IRS continuous wage levy	Judgment-creditor garnishment
	amount (filing status, pay period, dependents); no percentage cap.	disposable earnings or excess over 30× the federal minimum wage (\$217.50/week); states may protect more.
Duration	Continuous until Form 668-D release, full payment, or CSED.	Until judgment satisfied, vacated, or exemption sustained; renewable per state law.
Priority	Generally primes later garnishments; child-support withholding ordinarily continues.	First-served ordering among creditors; subordinate to support orders and tax levies.
Removal forum	Administrative: IRS release grounds (§ 6343), CDP, CAP, TAS.	Judicial: claim of exemption, motion to vacate or modify, bankruptcy stay; negotiation with creditor.

10.2 Employer Obligations and Exposure

The employer is a conscript, not a bystander. Upon service it must begin withholding with the first payday after the levy attaches, remit each pay period, and continue until it receives Form 668-D. An employer that fails or refuses to honor the levy becomes **personally liable** for the full amount it should have surrendered under § 6332(d)(1), plus a 50 percent penalty under § 6332(d)(2) where the failure is without reasonable cause — and payment to the employee after service is no defense. Conversely, § 6332(e) discharges the complying employer from any obligation to the employee, and federal law preempts wrongful-discharge exposure narrowly: CCPA § 304 forbids discharging an employee because earnings have been garnished *for any one debt*, but offers no protection against discharge for multiple garnishments, a gap some states close by statute. Counsel for taxpayers should therefore treat the payroll department as an ally to be informed, not an adversary: an employer that understands the three-day statement rule, the correct Pub. 1494 cell, and the fax number for releases will implement a hard-won Form 668-D the same day it arrives.

Section 11. Administrative Pathways to Removal of an IRS Wage Levy

11.1 The Removal Menu in Overview

Every pathway that releases a levy under § 6343 (Section 8) releases a wage levy, but the continuous character of the wage levy — and the fact that it regenerates hardship every payday — gives the menu a distinctive ordering in practice. Table 11.1-1 arrays the principal pathways by mechanism, typical speed, and durability; the subsections that follow develop the three that carry most of the volume: the installment agreement, currently-not-collectible status, and the pending offer in compromise of Part I.

Table 11.1-1 — Pathways to Release of a Continuous Wage Levy

Pathway	Mechanism	Typical speed	Durability
Full payment	Liability satisfied; § 6343(a)(1)(A).	Immediate on posting.	Permanent; lien release follows.
Installment agreement	§ 6159 agreement; release under § 6343(a)(1)(C).	Days, once compliance verified.	Survives while agreement is kept; default revives levy exposure.
Currently not collectible	Account placed in hardship CNC; levy released on hardship ground.	Days with documented hardship.	Reviewed periodically against income filters; CSED keeps running.
Economic hardship release	§ 6343(a)(1)(D); Vinatieri (compliance not prerequisite).	Same-day to days; fax release available.	Levy released; liability remains; expect compliance demands to follow.
Offer in compromise	§ 6331(k) bars levy while offer pending; release of an in-place wage levy requested in tandem.	Weeks; pending status itself is protective.	Acceptance and payment end collection permanently (Part I).
CDP / equivalent hearing	Timely Form 12153 suspends levy; Appeals weighs alternatives.	Suspension immediate; resolution in months.	Determination binding; Tax Court review preserved if timely.
Innocent spouse relief	§ 6015 request; collection against requesting spouse generally suspended.	Suspension on filing; merits in months.	Relief, if granted, removes the requesting spouse's liability.
Bankruptcy	Automatic stay of 11 U.S.C. § 362 halts the levy.	Immediate on petition.	Depends on chapter and dischargeability of the tax.

11.2 Installment Agreements and Their Streamlined Tiers

The installment agreement of I.R.C. § 6159 is the modal resolution because it converts an involuntary, payday-driven seizure into a voluntary, budget-driven payment. Its leverage rests on three statutory props: a pending IA *request* generally bars levy under § 6331(k); an *entered* agreement mandates release of an existing levy under § 6343(a)(1)(C) unless the agreement provides otherwise; and § 6159(a) makes streamlined terms available without full financial disclosure. The streamlined architecture matters operationally: individuals owing **\$50,000 or less** in combined assessed tax, penalties, and interest may obtain agreements of up to 72 months through the Online Payment Agreement system without a collection information statement, and the Service has piloted expanded non-streamlined ceilings well above that figure for taxpayers who can full-pay within the CSED. Direct-debit enrollment both reduces the user fee and — at balances of \$25,000 or less — unlocks the lien-withdrawal pathway of Section 5.3, so a properly engineered wage-levy resolution frequently terminates in a single package: DDIA entered, Form 668-D to the employer, three drafts cleared, Form 12277 filed.

11.3 Currently Not Collectible Status

Where the budget shows no capacity to pay at all, the account belongs in **currently not collectible (CNC)** status — the administrative determination, recorded by transaction code 530 with a hardship closing code, that enforced collection would create hardship by leaving the taxpayer unable to meet necessary living expenses. CNC is established on the same financial-statement-and-standards analysis as Section 2.3, ordinarily through Form 433-F with substantiation; once granted, levies are released, and new levies are barred while the status

holds. CNC's strategic profile is distinctive: the liability is not forgiven and penalties and interest continue to accrue, but the **CSED keeps running**, so for a taxpayer late in the collection period CNC can function as a de facto compromise — the account shelters in hardship status while the remaining years burn off. The Service may file an NFTL when placing larger balances in CNC and will reverse the status if later filed returns show income above the recorded closing-code threshold, so CNC clients require annual monitoring rather than a closed file.

11.4 Coordinating the Pending Offer, CDP Rights, and Spousal Relief

Three further pathways interact with the levy clock in ways that reward sequencing. A **pending offer in compromise** invokes the levy bar of § 6331(k), but because a wage levy already in place when the offer is filed is not automatically released, the offer should be paired with an immediate hardship-based release request so the paychecks are freed while the offer is considered. A **timely CDP request** (Section 7.3) made within 30 days of the final notice suspends levy action wholesale and preserves Tax Court review — where the final notice is recent, this is the single most protective filing available, and a wage levy served despite a timely request is releasable as premature and the proceeds returnable under § 6343(d). Finally, a spouse levied for a joint liability rooted in the other spouse's conduct should be screened for **innocent spouse relief** under § 6015: § 6015(e)(1)(B) generally suspends levy against the requesting spouse while the claim and any Tax Court petition are pending, and relief granted removes the requesting spouse's liability — and thus the levy — altogether.

Section 12. State Garnishments, Judgment Creditors, and Practical Sequencing

12.1 The CCPA Ceiling and Judgment-Creditor Garnishments

Garnishments by judgment creditors operate within the federal floor of Title III of the Consumer Credit Protection Act, 15 U.S.C. §§ 1671–1677. CCPA § 303 caps the garnishable amount at the **lesser of 25 percent of disposable earnings** (earnings after legally required deductions) **or the amount by which weekly disposable earnings exceed 30 times the federal minimum wage** — \$217.50 at the current \$7.25 rate — with elevated ceilings of 50 to 65 percent for support orders and an express carve-out: the CCPA limits do not apply to federal or state tax collection at all, which is why the Pub. 1494 regime of Section 10.1, and not the 25 percent cap, governs IRS levies. States are free to protect more than the CCPA floor and many do — New York's income execution under CPLR § 5231, for example, generally limits withholding to 10 percent of gross wages and bars execution entirely against low earners, and several states prohibit ordinary wage garnishment by judgment creditors almost completely. Removal of a judgment garnishment is correspondingly judicial: a **claim of exemption** under the state schedule, a **motion to vacate** a defective default judgment (improper service being the most common ground), negotiated satisfaction, or the automatic stay in bankruptcy.

12.2 State Tax Agency Wage Levies

State revenue departments replicate the federal model with administrative wage levies or income executions of their own, typically continuous, served without court order, and governed by state exemption schedules rather than Publication 1494. The removal grammar transfers: every state program maintains hardship-release, payment-plan, and offer-in-compromise analogues, and the practitioner who has built the federal file — transcripts, budget, substantiation — can ordinarily resolve the state instrument with the same package. The coordination point is priority and stacking: where an IRS levy, a state levy, and a support order compete, the support withholding ordinarily continues, the first-served tax levy takes the non-exempt remainder, and the later instruments queue — so the order in which releases are obtained changes which agency's deduction disappears from the next paycheck.

12.3 Sequencing the Engagement

Wage-levy engagements reward a fixed operating sequence. *First*, identify the instrument from the pay stub and the employer's file — Form 668-W means Part IV's federal rules; a court caption means CCPA and state procedure. *Second*, pull account transcripts and verify the notice cascade and the CSED; a missing Letter 1058 or an expired statute ends the matter on procedural grounds. *Third*, correct the exempt amount — file the Statement of Dependents and Filing Status if the punitive default of Section 10.1 is being applied, an instant and frequently overlooked raise. *Fourth*, build the budget against the allowable-expense standards and select the pathway from Table 11.1-1 that the budget supports, pairing it with a hardship release where the arithmetic shows basic expenses unmet. *Fifth*, deliver the release: confirm the Service has faxed Form 668-D to the precise payroll contact, and calendar the compliance covenant — the agreement payments, the CNC monitoring, or the offer's five-year covenant of Section 3.4 — that keeps the levy from returning.

Practitioner's Synthesis I: Worked Operational Examples

Example A: The Underwater Wage Earner — Offer in Compromise

A single taxpayer owes \$84,000 for four income tax years, rents in a high-cost county, and nets \$4,600 monthly against allowable-standard expenses of \$4,350. Assets: a \$9,000 vehicle securing an \$8,200 loan (equity within the allowance) and \$3,100 in checking. RCP under Table 2.1-1 is approximately \$3,100 of equity plus $\$250 \times 12 = \$3,000$ of future income — roughly \$6,100 on a lump-sum offer. The package: Form 656 at \$6,100, Form 433-A (OIC) with three months of substantiation, low-income certification screen (likely failed at this income; \$205 fee and 20 percent payment of \$1,220 accompany the offer). While the offer pends, § 6331(k) bars new levies and the CSED tolls. On acceptance, the five-year covenant of Section 3.4 is calendared and withholding corrected the same week.

Example B: The Refinance Blocked by a Recorded Lien — Withdrawal and Subordination

A taxpayer owing \$62,000 has an NFTL recorded and a lender willing to refinance at a rate that frees \$900 monthly, but underwriting requires the lien resolved. Two lanes: (i) a § 6325(d)(2) **subordination** on Form 14134, demonstrating that the refinance increases the amount ultimately collectible, filed 45 days before closing; or (ii) paydown to \$25,000, a direct-debit installment agreement fully amortizing within 60 months, three cleared drafts, then **withdrawal** on Form 12277 under the Fresh Start pathway of Section 5.3 — slower, but it erases the public filing entirely rather than merely re-ranking it. The choice is the client's timeline against the client's record.

Example C: The Frozen Operating Account — 21-Day Bank Levy Release

A Form 668-A freezes \$18,400 in a sole proprietor's account on the day payroll and rent clear. Day 1–3: obtain the levy face, transcripts, and the bank levy department's fax line; verify the Letter 1058 was issued and the CSED is open. Day 3–10: assemble Form 433-F, the payroll register, the lease, and a computation showing basic business and living expenses unpayable — the § 6343(a)(1)(D) hardship showing of Section 8.2, with *Vinatieri* answering any compliance objection — and simultaneously propose a streamlined installment agreement as the (B)/(C) alternative. Day 10–20: escalate through the group manager, CAP on Form 9423 if refused, TAS Form 911 if the clock nears. The objective is Form 668-D faxed to the bank before day 21 remittance; failing that, a § 6343(d) return-of-property request within the two-year window.

Example D: The Garnished Paycheck — Levy Removed, Withdrawal Banked

A married taxpayer with two dependents, paid biweekly, discovers 668-W withholding computed at married-filing-separately/zero — the three-day default. Step one files the Statement of Dependents and Filing Status, restoring the correct 2026 exempt amount of \$1,646.16 per period immediately. Step two pulls transcripts: \$23,800 owed, six years left on the CSED. Step three enters a direct-debit installment agreement at the streamlined tier (Section 11.2); Form 668-D issues to the employer under § 6343(a)(1)(C). Step four, three

drafts later, files Form 12277 and converts the filed NFTL into a withdrawal under Section 5.3. The paycheck is whole, the public record is clean, and the engagement closes on the compliance calendar.

Practitioner's Synthesis II: Diagnostic Checklist

The following sequence compresses the four Parts into the order in which questions should actually be asked when a collection client presents. (1) **Instrument**: what has the government actually done — recorded notice (Part II), account levy (Part III), wage levy or judgment garnishment (Part IV) — and what is merely threatened? (2) **Transcripts**: are the assessments valid, was the § 6303/§ 6331(d)/§ 6330 cascade completed, and what is the CSED for each module after tolling events? (3) **Procedural windows**: is a 30-day CDP window open, a 21-day bank hold running, a three-day dependents statement outstanding, a 30-day offer-rejection appeal ticking? (4) **Mandatory release screens**: does any § 6343(a)(1) ground — payment, CSED, agreement, hardship, over-secured property — already compel release without negotiation? (5) **Budget**: against the allowable-expense standards, what monthly capacity exists, and does it point to full pay, an installment agreement, CNC, or an offer at computed RCP? (6) **Lien strategy**: whatever resolves the liability, which of withdrawal, release, discharge, or subordination cleans the record, and is the \$25,000/DDIA pathway reachable? (7) **Durability**: what covenant — agreement payments, CNC monitoring, the offer's five-year compliance term — must be calendared so the remedy, once won, is not defaulted away?

Selected References

Statutes. I.R.C. §§ 6159 (installment agreements); 6201, 6303 (assessment; notice and demand); 6320, 6330 (collection due process); 6321–6323 (liens; NFTL; withdrawal at § 6323(j)); 6325 (release, discharge, subordination); 6331–6334 (levy; continuous levies; employer liability; exemptions); 6343 (release and return); 6502–6503 (collection period and suspensions); 6015 (spousal relief); 7122 (compromise); 7426 (wrongful levy); 15 U.S.C. §§ 1671–1677 (CCPA Title III).

Regulations and administrative guidance. Treas. Reg. §§ 301.6323(j)-1; 301.6325-1; 301.6343-1 (economic hardship at (b)(4)); 301.7122-1; Internal Revenue Manual pts. 5.8 (offers), 5.11 (levies), 5.12 (liens), 5.14 (installment agreements), 5.16 (CNC); Publication 594 (the collection process); Publication 1494 (levy exemption tables, revised annually); Publications 783 and 784 (discharge and subordination); Form 656-B (offer in compromise booklet).

Principal forms. 656, 656-L, 433-A (OIC), 433-B (OIC), 433-F, 13711 (offer appeal); 668(Y), 668(Z), 12277, 10916(c), 14134, 14135 (liens); 668-A, 668-W, 668-D, 12153, 9423, 911 (levies and appeals).

Judicial decisions. *United States v. Craft*, 535 U.S. 274 (2002); *G.M. Leasing Corp. v. United States*, 429 U.S. 338 (1977); *United States v. National Bank of Commerce*, 472 U.S. 713 (1985); *Vinatieri v. Commissioner*, 133 T.C. 392 (2009).

