

# COLLECTIONS PROCESS

This publication explains your rights and responsibilities in the state tax collection process. This information applies to all taxpayers, including individuals who owe income tax and taxpayers who owe business tax. It contains information on what to expect in your dealings with the Arizona Department of Revenue and how to begin resolving your tax liability. This publication does not explain all your rights within the appeals process which you may have for certain audit assessments, nor does it answer questions you may have about forms, filing requirements, or other non-collection related questions. If you have questions, which do not involve the collection of delinquent taxes, please call Taxpayer Assistance at the telephone numbers listed at the back of this publication or visit our website. The purpose of this information is to provide you, the taxpayer, with a general overview of the process the department follows to collect taxes. It is not intended as a precise or technical analysis of the law, nor as a substitute for legal counsel.

## Your Rights

The following list outlines other rights you have regarding the payment of taxes and other issues involved with the collection process:

1. The right to confidentiality of your tax matters
2. The right to protest an audit assessment
3. The right to abatement of penalties based on reasonable cause and lack of willful neglect
4. The right to abate interest based on A.R.S. 42-2065
5. The right to contact the department problem resolution officer
6. The right to request a review of your case if denied the ability to make an installment arrangement for payment of taxes due
7. The right to appoint a power of attorney to act on your behalf.

## Filing Timely

Filing of a tax return should never be delayed for lack of funds to pay the tax. Penalties for late filing are substantial and can even exceed late payment penalties. Once the return is processed and the tax bill sent, it is very important that you take some action to contact Collections at (602) 542-5551. Any Revenue Officer who answers can assist you.

## When You Have Not Paid Enough Tax

### *Tax Bills*

If you made an error on a return, filed late, or did not pay the full amount of tax you owe, you may receive a tax billing notice. This demand for payment is the beginning of the collection process. The length of the collection process depends upon how quickly you respond and pay the amount due. Tax bills notify you that a liability exists. This

should prompt immediate action on your part to resolve the liability. Regardless of tax type, an attempt to mail at least one bill will be sent to you at your last known address. It is very important that you advise the department of any change in your address while your tax liability is in the collection process. Failure to do so could result in more serious collection action being taken against you without further notice.

### **Tax Bills in Error**

If you believe your tax bill is wrong, please let us know as soon as possible by writing to the Department of Revenue at PO Box 29086, Phoenix AZ 85038-9086. You should include in your letter an explanation of the error and provide copies of cancelled checks, tax returns, IRS modifications, and any other documentation which shows that the bill is incorrect. Address the correspondence as instructed on the notice or use the return envelope if one has been provided. You also may call Taxpayer Assistance at the telephone numbers listed at the back of this publication. *Do Not Disregard Any Tax Bill or Notice of Tax Due.*

### **Making Arrangements to Pay Your Bill**

This section explains what to expect when you want to pay in full but are unable to do so. If you cannot pay your tax bill in full, the department will work with you to analyze your ability to pay and based on that ability set arrangements to pay the tax due.

**Important:** If your bill is correct and you are able to pay the full amount, do so at once to avoid additional interest charges. Mail it to the Collection Section, Arizona Department of Revenue, PO Box 29070, Phoenix AZ 85038-9070, or [www.aztaxes.gov](http://www.aztaxes.gov).

### **If You Can Pay Only Part of Your Bill**

If you cannot pay your bill in full, you should pay as much as you can and immediately notify the department. After we receive your notification, we will strive to find the shortest and best way for you to pay the remaining tax due.

1. We may ask you to complete a collection information statement. We use this form to review your financial condition and determine how you can pay the amount owed. This information helps us compare your monthly income and expenses, determine if you qualify for an installment agreement, and determine the amount you can pay.
2. We may ask you to secure a loan if we determine that you are able to do so.
3. We may take enforced collection action, such as issue a levy on your bank account, levy your wages, or take your other income or assets if you neglect or refuse to pay or fail to make other arrangements to satisfy your liability.

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If you are unable to pay the full amount due, you may request to set up an installment arrangement with the department based on your financial ability. In addition to the installment arrangement the department enters into with you, a tax lien may be filed to secure the state's interest until you make the final payment. It is essential, once an installment arrangement has been agreed to on your account, that all scheduled payments are made timely unless notification from you has been received prior to the due date. In many cases, taxpayers qualify for instant installment agreements without a state tax lien with only one contact with a Revenue Officer.

**Note:** While you are making installment payments, we are required to charge your account with interest on the unpaid balance.

## **Alteration, Modification, or Termination of an Installment Payment Agreement**

The department may alter, modify, or terminate your installment payment agreement if any of the following occur:

1. You fail to pay an installment payment or any other tax liability at the time it is due.
2. You fail to file any tax report or return at the time the report or return is due.
3. You fail to furnish any information requested by the department within thirty days after the request.
4. The department believes that the collection of tax to which the payment agreement pertains is in jeopardy.

If you are not satisfied with a decision by the department to refuse to enter into an installment payment agreement or to alter, modify, or terminate an agreement already entered into, you may petition the Problem Resolution Officer to review the determination of the department. The Problem Resolution Officer may stay such alteration, modification, or termination pending review and may modify or nullify the determination.

## **Refund Offset**

Any refund to which you are entitled from any tax type will be applied first to any delinquent tax owed. This will be done whether or not you have a current installment arrangement with the department. If you do not owe state tax, or the amount of your refund is more than the amount of delinquent tax you owe, the remaining refund may also be applied to any debt you have with another state agency or a court.

**Important:** In the event of a refund offset on your account, the amount offset will not take the place of your regularly scheduled installment payment. Failure to remit your payment as stated in the installment agreement may subject your account to enforced collection action without further notice to you.

## **Bankruptcy**

If you owe delinquent taxes and file for bankruptcy, notify the department at once at (602) 716-7806. Although not all tax liabilities are dischargeable, a stay of collection activity may be in effect which will temporarily stop enforcement action to collect a debt related to the bankruptcy.

## **Offer in Compromise (OIC)**

If your financial circumstances make it impossible for you to satisfy your tax obligation, you may wish to make an offer in compromise. If your offer is accepted, payment of the amount of the offer will discharge your tax liability and any liens securing it. In order for your offer to be considered, it must be for an amount, which reflects your maximum ability to pay. The department may abate part of your tax obligation based upon their discovery. Both the department and the Attorney General must approve any offer before it can be accepted. OIC forms are available on our website or you may call 602-716-7787.

## **When You Take No Action to Pay**

If you have already paid your tax, or if you have made payment arrangements, this section will not apply to you. Please note that before we take any of the actions explained in this section, we attempt to contact you and give you the opportunity to pay voluntarily. If you do not take appropriate action to pay your tax bill, we may take any of the following actions to secure the balance owed:

1. Serve a Notice of Levy
2. File a Notice of Tax Lien (also may be filed with some installment arrangements)
3. Seize and sell your property (personal, real estate, and business property)
4. File a lawsuit for a judgment.

These actions are referred to as "enforced collection actions" because they are the means by which the department can enforce collection of your tax due.

## **Liens**

Under Arizona law, a tax lien may be filed when you fail to pay your tax due by the due date or when you fail to timely pay or protest an audit assessment. A lien attaches to all your real or personal property, and to all your rights to property. If you fail or neglect to pay upon demand, a Notice of Tax Lien may be filed with the Secretary of State and/or County Recorder's Office of the county in which you own property, Motor Vehicle Department and Arizona Game and Fish. By filing the tax lien, the department is giving public notice to your creditors that there is a tax lien against your property, including any property that you acquire after the lien is filed. At this point the lien is public record and may have an adverse effect on your ability to

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borrow money or buy or sell property until the lien has been paid in full.

## ***Releasing a Lien***

Once the lien is paid in full, a Release of Tax Lien is issued and recorded by the department in the same manner in which the Notice of Tax Lien was filed. The department will issue a Release of Tax Lien 90 days after the account is paid in full if paid by non-certified funds. For immediate lien releases, it is important that all payments made 60 days prior to the account being paid in full are made in certified funds. Other issues, which may entitle you to a Release of Tax Lien, are the abatement or adjustment of tax liabilities. For information regarding liens, please call 602-716-7805.

**Important:** Although the lien is paid in full and the Release of Tax Lien is also recorded, the lien filing may show on your credit report for several years.

## ***Partial Lien Release***

A Partial Lien Release nullifies the effects of the lien against one specific piece of property. For example, if you are giving up ownership of a piece of property in order to pay creditors, including some of the funds owing the department, you may apply for a Partial Lien Release to allow completion of the property transfer.

## ***Subordination of Tax Lien***

Subordination of a tax lien is at the discretion of the Department of Revenue. Subordination of a lien means that the Department of Revenue has allowed its lien to take a lower place than someone else's lien.

Refinancing an existing home mortgage on a property covered by a state tax lien would be an example of when subordination may be appropriate. In order to get the new lender to refinance the loan, their lien must be able to be placed in front of the existing state tax lien. The Department of Revenue may also subordinate a lien if we believe that doing so would speed collection of the tax due. For example, we may subordinate a lien that would allow a farmer to receive a loan to harvest a crop.

## ***Levy***

A levy is the taking of real or personal property belonging to you to satisfy your tax liability. Levies can be made on property that you hold (such as your vehicle, boat, or house) or on property that is yours but is held by third parties (such as wages or deposits at a bank). A levy may be initiated against you if you fail to make satisfactory payment arrangements with the department, fail to respond to a final demand notice, fail to keep your installment arrangement, or fail to provide financial information to the department upon request. The department may also issue a Notice of Levy if the department feels that collection of the amount due is in jeopardy.

**Note:** A wage levy will hold a portion of your earned wages based on an allowance per dependent. A levy on wages is continuous and will remain in effect until the entire amount you owe (tax, penalty, and interest) is paid in full. If the department levies your bank account (s), your bank is required to hold funds you have on deposit, up to the amount you owe, for 21 days. This period allows you to pay in full or use other alternate payment arrangements. The bank is then required to send the money directly to the department for posting toward your balance due.

## ***Releasing a Levy***

The Department of Revenue will release your levy if any of the following occur:

1. You pay the tax, penalty, and interest you owe.
2. You provide documentation to the department that releasing the levy will help collect the balance owed.
3. The department determines that the levy is causing severe and unjustifiable economic hardship.

Upon review of your financial situation, the department may issue a partial release of a wage or bank levy based on your ability to pay and your willingness to resolve your tax liability. A wage levy will convert to an agreed upon payment based on your pay periods. The payment will be taken from your paycheck by your employer and sent directly to the department until the balance is paid in full. A partial bank levy release is similar, but it only affects your account at the time of the levy, not on a monthly basis. A partial bank levy release will free a portion of the balance in the account while the remaining portion of the account will be held the specified time and then applied to your liability. In both cases, partially releasing a levy is at the discretion of the department and conditional upon arrangements for the payment of the balance due on the account.

## ***Voluntary Wage Assignments***

You and your employer may agree to withhold a set amount from your regular paycheck to be forwarded directly to the department for posting to your tax liability. This process can be done by calling any Revenue Officer at (602) 542-5551 in Phoenix and (520) 628-6442 in Tucson.

## ***Seizures and Sales***

In some cases, after all other means of voluntary and enforced collections have failed to prompt any action by you to resolve your liability, a seizure and sale of property may be initiated to secure the balance due. The department may seize and sell any type of real or personal property belonging to you or in which you have an interest. (Some property is exempt from

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seizure, levy, and sale.) The determination to initiate a seizure is at the discretion of the department. The proceeds of the sale are applied first to expenses of the sale and then to your delinquent tax liability. The department will notify you of the date, time, and location of the sale of your property. This notice will be given at least ten days prior to the sale, except in the case of perishables, in which case you will receive notice at a time in keeping with the nature of the property. The notice may be mailed to you at your last known address, delivered to you in person, or left at your residence or place of employment.

## Conclusion

Throughout this publication we have reviewed the collection process and outlined important information you should be aware of while resolving your tax liability. The following suggestions are important to all taxpayers regardless of tax type:

1. Never ignore a bill or other correspondence from the department, even if you believe it is in error.
2. Do not delay in your response to a bill or other correspondence that is marked "Final Demand..." or "Final Notice..."
3. Be sure to include your name, tax type, tax identification number, and a daytime phone number on all correspondence

Collections is here to provide prompt assistance to resolve your tax liability. If you have questions regarding your balance due or material covered in this publication, or wish to respond with the payment of a delinquent tax, please contact us at your earliest convenience. Any revenue officer who answers will be able to assist you.

## How to Contact a Revenue Officer:

Monday—Friday  
8:00 a.m. - 5:00 p.m. MST  
(602) 542-5551

Tucson residents can call (520) 628-6442

## For Taxpayer Assistance Call:

Monday—Friday  
8:00 a.m. - 5:00 p.m. MST  
(602) 255-3381

Toll-free within AZ: 1-800-352-4090

## Collections & Taxpayer Assistance Walk-in Service is available:

Monday—Friday  
8:00 a.m. - 5:00 p.m. MST  
1600 W Monroe, Phoenix  
Government Mall, 400 W Congress, Tucson

## Mail collection information, payments, and payment requests to:

Arizona Department of Revenue  
PO Box 29070  
Phoenix AZ 85038-9070

## Mail General Requests and Billing Inquiries to:

Arizona Department of Revenue  
PO Box 29086  
Phoenix AZ 85038-9086

~Browse~

[www.azdor.gov](http://www.azdor.gov)  
[www.AZTaxes.gov](http://www.AZTaxes.gov)

## Arizona Department of Revenue Mission Statement

To serve the people of Arizona by administering tax laws with integrity, fairness and efficiency.

This document is available in an alternative format upon request.