



HOW TO STOP IRS WAGE GARNISHMENT

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Wage Garnishment & The IRS

Are you behind on your federal taxes? The Internal Revenue Service (IRS) has the authority to place tax liens and levies against you. These collection actions can be aggressive. If you owe back taxes, the IRS is legally entitled to garnish your wages and take money out of every paycheck you earn. A wage levy can make it difficult for you to maintain a reasonable standard of living. Not to mention that your employer will have no choice but to comply with the IRS. This means that your salary, hourly wages, commissions, and bonuses are all at risk.

Wage garnishment is often the last resort for the IRS to collect on back taxes. Do not take their threats of a wage levy lightly. It is typically less expensive to work with the IRS to settle your tax debt through other means than it is to hand over your paycheck to them. Although it is possible to deal with a wage levy on your own, preventing or stopping a wage garnishment can be a complex process.

This guide will help you answer some of the most common wage garnishment questions, such as:

- ✚ What are the steps in the wage garnishment process?
- ✚ How much can the IRS take?
- ✚ How can I stop a wage garnishment?

Be sure to read through our [FAQ section](#) for additional answers to your wage levy questions. We also highly recommend speaking with an experienced tax professional to ensure you receive the best outcome possible.

If you're facing an IRS wage garnishment, don't feel embarrassed or ashamed. Millions of Americans owe taxes and can't pay. The important thing is that you take action as soon as possible. Preventing a wage levy is much easier than having one removed.

The Wage Garnishment Process

The IRS will never garnish your wages out of the blue. There are certain steps they must take before they can withhold any of your earnings. Although this does not include going to court as it does for other creditors, there are several notices that must be sent. It is important that you carefully review each notice and pay close attention to deadline dates.

1

Notice and Demand for Payment

The first notice you should receive is **CP14, CP501, or CP503**. This is a notice of tax balance due and request for payment. It includes the amount you owe, payment options, and the deadline for repayment. If it is not paid in full within 21 days, you will face additional interest and penalty fees.

2

Notice of Intent to Levy

The Notice of Intent to Levy, also known as **CP504**, will be sent to you if you have not responded to previous demands for payment. This notice is required by Internal Revenue Code Section 6331. It is your final reminder that the IRS intends to levy your wages, bank accounts, and tax refunds (state and/or federal) because of your unpaid tax debt.

3

Notice of Your Right to a Collection Due Process (CDP) Hearing

If you receive **LT11/Letter 1058** via certified mail, you are in the final step of the wage garnishment process before they start taking your paycheck. The CDP notice explains your right to request a hearing within 30 days of the date on the notice. If you plan to challenge the wage levy, you must do so before the deadline date.

If you do not request a hearing within the designated timeline, the IRS will send Form 668-W to your employer. This notifies them that the IRS intends to levy your wages. Your employer will then ask you to sign the Statement of Exemptions and Filing Status. If you do not complete and return this form within 3 days, the exempt amount will be calculated as though you are married filing separately with no children. It generally takes only one pay period before the IRS begins to levy your paycheck or approximately 15 days after the CDP deadline has passed.

How Much Can the IRS Take?

Unlike most creditors, the IRS is not subject to the wage garnishment limitations outlined by the Federal Wage Garnishment Law, Consumer Credit Protection Act's ([CCPA](#)) Title III. This means that they can leave you with very little to live on. **It is not uncommon for the IRS to take up to 70% of your paycheck.** The exact amount that you can keep, however, is determined by your filing status and number of dependents.

The IRS will mail [Publication 1494](#) with the levy notice to your employer, which provides guidance on how to determine the amount exempt from the levy. **If you have more than one source of income, the IRS may levy 100% of the additional earnings** and only allocate the exemption to one of your income sources. This can include annual and holiday bonuses, as well as commissions and other similar payments.

Unlike other creditors, there is no set percentage the IRS can take from your paycheck.

Earnings At Risk Due to Wage Garnishment

The IRS may place a wage levy on the money you receive as compensation paid or payable for personal services. This includes not only wages and salaries but also other earnings, including:

- ✚ Commissions & Bonuses
- ✚ Profit sharing
- ✚ Relocation or moving incentives
- ✚ Cash service awards (attendance, safety, etc.)
- ✚ Retroactive merit increases
- ✚ Holiday pay
- ✚ Worker's compensation payments for wage replacement
- ✚ Termination and/or severance pay
- ✚ Insurance settlements (back and front pay payments)

Lump-sum payments made in exchange for personal services rendered are also at risk.



How to Stop Wage Garnishment

If the IRS has started the wage garnishment process, your time to address the situation is limited. There are also very few options for stopping wage garnishment from happening.

You may think that changing jobs to avoid a wage levy is clever, but it will only delay the process. The IRS will eventually track you down. Filing for bankruptcy may also seem like an attractive alternative. Although it may allow you to discharge your tax debt, it could cause other financial problems. We highly recommend consulting with a tax attorney before going down this path.

Options for Stopping a Wage Levy

The best way to stop wage garnishment is to pay your tax debt in full. We realize, however, that this is not an option for most people. Thankfully, there are other ways to protect your paycheck.

Payment Plan

In most cases, you can set up an installment agreement that allows you to pay off your tax debt over time. Although penalties and interest continue to accrue, the monthly payments should be less than the monthly garnishment amount.

Offer in Compromise

In certain cases, the IRS may be willing to settle your tax debt for less than you owe. Getting an Offer in Compromise approved, however, is not an easy task. To increase your chances of success, it's best to work with a tax professional.

In cases of extreme financial hardship, the IRS may place your account in a “currently not collectible” (CNC) status. This will suspend all collection actions, including wage garnishment. Even if you do not qualify for CNC status, the IRS may reduce the amount taken from your paycheck if you can show that the wage levy will cause significant financial strain. Once your financial situation improves, however, the wage levy will likely be reinstated or increased.

Wage Garnishment FAQs

If you have received notices from the IRS indicating that they intend to garnish your wages, you probably have many questions. Here are a few of the most common ones we are typically asked.

Q. Doesn't the IRS need a court order to garnish my wages?






A. No. Although other creditors, such as credit card companies and mortgage lenders, must take you to court to get permission to garnish your wages, the IRS can levy your wages without a court order.

Q. I moved and never got the notices. I'm protected, right?

A. No. If you moved and did not update your address with the IRS, this is not their fault. The letters probably went to your old address, which means they fulfilled their part in providing ample notice of an impending wage garnishment action. It is your responsibility to make sure the address on file is correct.

Q. How long will the IRS garnish my wages?

A. The IRS will continue to garnish your wages from every paycheck until your tax debt is paid in full or one of the following has happened:

-  You set up a payment plan with the IRS
-  You qualify for financial hardship
-  The IRS accepts your Offer in Compromise
-  You file bankruptcy
-  The statute of limitations to collect the tax debt has expired

If you receive a wage levy notice from the IRS, consult with a tax professional immediately.

Q. Can I challenge the wage garnishment?

A. Yes. You should receive a notice of your right to a hearing for due process collection (LT 11/Letter 1058) by certified mail. You must request a hearing within 30 days of the notice date. At the hearing, you may request an installment agreement or challenge the amount owed. If you do not request the hearing in time, the wage levy will start approximately two weeks after the deadline.

Get Help Today!

If you are being threatened with wage garnishment due to a state or federal tax debt, don't ignore the notices. Once the wage levy process is set in motion, you'll need to act quickly. At Tax Defense Network, we have a team of licensed tax professionals who can help you avoid losing your paycheck and get you back on track with the IRS.

Since 2007, we have helped thousands of clients find affordable solutions for their tax debt problems. We encourage you to explore our website, www.taxdefensenetwork.com, and schedule a free consultation with one of our tax specialists today!

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