What is a **Federal Tax *Levy***?

A *Federal Tax Levy* is the actual confiscation of your money from a bank account, or your wages from work. It can also mean taking other money which is due to you from someone else. IRS agents simply fill out a form and send it to the individual or business that has your money and then, by law, that individual or business MUST send the money to the IRS (unless the IRS issues a *release* of the levy before the payor sends it to the IRS).

Sometimes, people hear tax talk about a *seizure* by IRS agents. This procedure is the same thing as a levy because the IRS takes money or other property from you involuntarily, but a seizure refers to the taking of property which is in *your* hands, rather than in the custody of another person. In a *seizure* situation, the IRS simply confiscates your property directly from you, rather than getting it from another person. This means they show up in your driveway or at your place of business, if you own a business, and literally haul your property away. Examples are the seizure of homes, cars, boats, RVs, computers, cash and other business property.

Things to Keep in Mind

Here are some points to remember about a federal tax levy:

a. The IRS won't stop cleaning out your bank accounts until the full tax bill is paid. That means *everything*—taxes, penalties and interest, and IRS agents don't stop with the first bank account they find. They will locate as many accounts as they need to satisfy the full amount due. This can include regular checking and savings accounts, money market accounts, IRAs, other retirement plans, and any other accounts where you have money.

b. If you have a joint bank account (an account that contains your name as well as someone else's name), IRS agents can still take 100% of the money (not just ½).

c. *Wage* levies don't stop until the full tax bill is paid. Here's how it works: the IRS has a formula for deciding how much you get to keep. This is important because most people want to know how much the IRS agents can *take*, but it doesn't work that way. With the IRS, there is a formula-driven amount you get to *keep*. . .and the IRS gets the rest no matter how big your paycheck is. Let's say your net paycheck every two weeks is $ 2,850 for a total of $ 5,700 per month. And let's further assume that, according to the IRS's formula, you are allowed to keep $ 579 each paycheck!

*Things to Keep in Mind. . .*continued

That means the IRS gets $ 2,271 in cash from each of your paychecks ($ 2,850 – 579). You live on $ 579.

d. Other things about paychecks and wages: IRS agents will often forcibly adjust your paycheck withholding to a level they believe is correct. IRS agents can do this, in certain circumstances, simply by contacting the payroll office where you work. By law, your employer must then comply with the IRS's directions. These adjustments often mean more money for the IRS every payday.

e. Banks and other financial institutions will often close an account and discontinue a relationship with you if the IRS is constantly knocking at the door and you become the problem account.

WARNING: The federal tax levy is different from a federal tax *lien*. A federal tax lien is explained in a separate publication available on this website.